

83-1999

Supreme Court, U.S.  
FILED

MAY 15 1984

SUPREME COURT OF THE UNITED STATES

October Term, 1983

ALEXANDER L. STEVENS  
CLERK

---

SYDNEY M. EISENBERG,

Petitioner,

vs.

UNITED STATES OF AMERICA,

Respondent.

---

ON PETITION FOR WRIT OF CERTIORARI TO  
THE UNITED STATES COURT OF APPEALS  
FOR THE SEVENTH CIRCUIT

---

PETITION FOR WRIT OF CERTIORARI

---

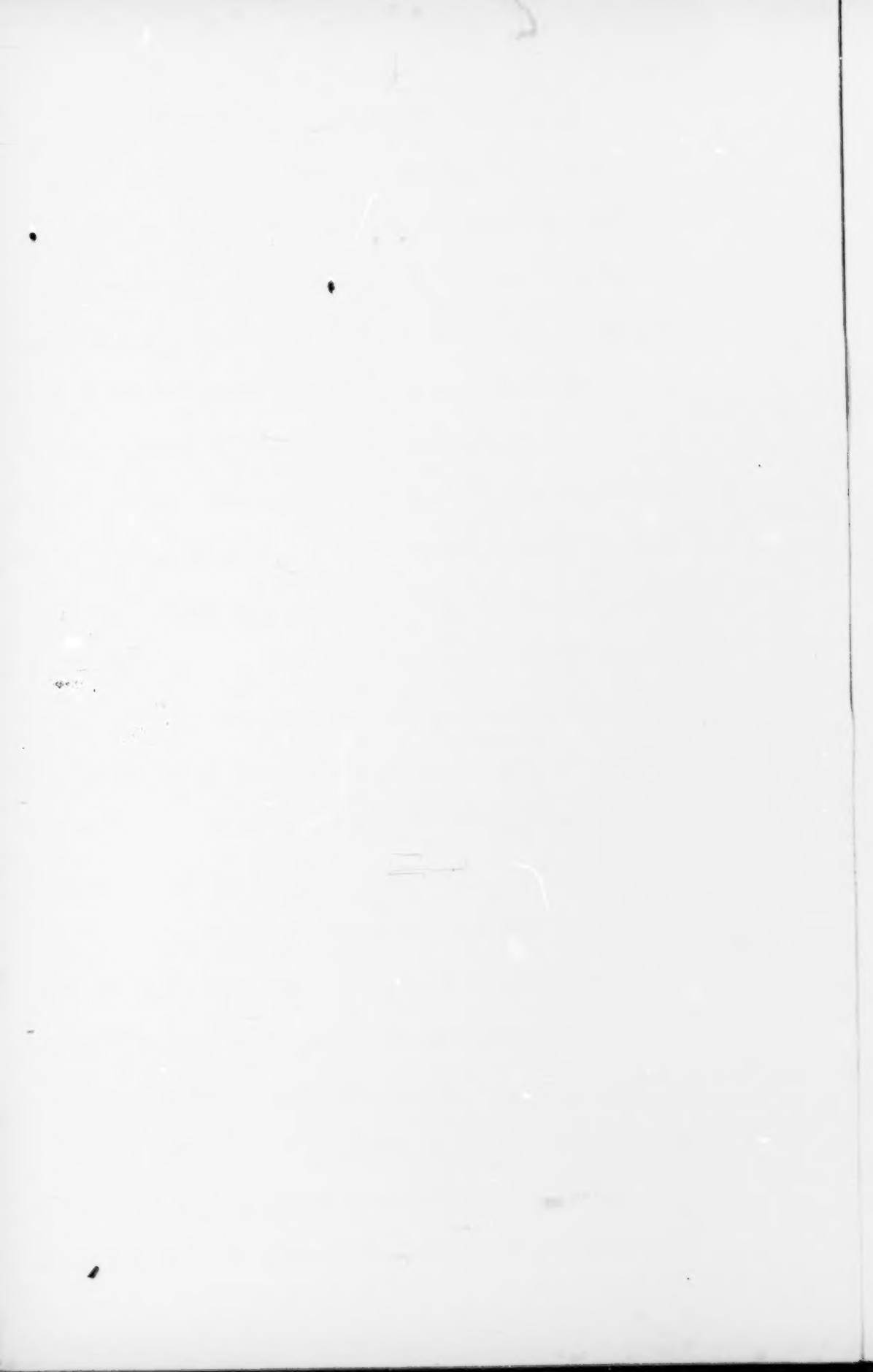
SYDNEY M. EISENBERG  
PETITIONER - PRO SE

1131 WEST STATE STREET  
MILWAUKEE, WISCONSIN 53233  
TELEPHONE: (414) 271-0931



## QUESTIONS PRESENTED FOR REVIEW

1. Following the original trial during which Defendant presented no evidence because his attorneys believed no case had been presented against him, Defendant thereafter obtained new evidence which proved Petitioner was in no way guilty of the crime of signing a false return. Petitioner discovered a deposition taken by the IRS of Mabel Peterson, Chief Bookkeeper in the case, which proves that the IRS knew that the Defendant was innocent. This witness was hidden by the prosecution throughout the presentation of its case, without her ever being called as a witness, and the trial court was never advised that her statements would have cleared Defendant completely.
2. Does the taxpayer have a right to rely on IRS Rules and Regulations where they are pertinent to the specific case? In the instant case, pertinent IRS rules which require the IRS civil auditor to refrain from discussions about the case with IRS Intelligence, refer the case





to IRS Intelligence upon any indication of fraud and other rules were flagrantly violated. Can such serious violations be permitted without the Court taking notice of same and suppressing evidence obtained in violation of such rules?

3. Can an IRS revenue agent perjure himself on a material issue, fail to tell the truth about whom and which IRS Intelligence agents and supervisors he contacted, withhold the name of one or more of such individuals, permit the trial to proceed without the production of such evidence, and subsequently at a hearing brought by the Defendant for a new trial, come forward with an affidavit admitting that he had conferred with a member of the IRS Criminal Intelligence Section, who he previously failed to name, without destroying his credibility?
4. Is it reasonable to conclude that the taxpayer would have opened his books to everyone, since he had previously opened his books to the civil IRS auditor, where said auditor had conducted



several audits during previous years without the slightest indication of any wrongdoing by the Defendant?

5. Where no Miranda warning was ever given the taxpayer throughout the period of a civil audit, and during said period of civil audit, it was turned into a criminal audit, all prior to the final official report and recommendation of the case for prosecution, and where the Honorable Trial Judge stated in his original Decision in 1976 that the Defendant was found guilty of the alleged crime only because of the technical nature of the crime, and there was only allegedly circumstantial evidence at best, should the Defendant have been discharge and the case dismissed?
6. Where the taxpayer pursued and obtained the files under the Freedom of Information Act after judgment and discovered the withholding of exculpatory evidence by the prosecution that again would have exonerated him, discovered that



- checks which a prosecution witness testified had been filled out by her with year-end dates furnished by Defendant were, in fact, blank and never filled out at all, should this evidence have been considered by the reviewing judge and the case against Defendant dismissed?
7. Is a revenue agent to be permitted to lie and deceive a federal judge, the prosecutor, and the Defendant during the original trial with his testimony to the effect that he did not contact IRS Intelligence during the course of his supposedly civil investigation, when in truth and in fact he had done so; he had discussed the case with IRS Intelligence and continued the investigation along the lines suggested by the IRS Intelligence Agent, who stated, under oath, that he knew the Defendant to be the individual under discussion with a revenue agent?
8. At the rehearing, vital records of conferences had between Revenue Agent Kelly and Special Agent Levin were discovered to have been des-



troyed by the IRS. Did not Kelly's fraud and misconduct prevent cross-examination, inspection of records never submitted by the U.S. Attorney to the Court and Defendant's counsel, impede and obstruct justice?

9. Since IRS Intelligence Agent Levin's name and records for several of the pertinent years concerning discussion had with Agent Kelly have been withheld and written records destroyed, and since the conference records made by Special Agent Levin were never disclosed by Agent Kelly until the bringing of this Motion For New Trial, approximately seven years later, isn't this conduct reprehensible and requiring dismissal of the case? Would a taxpayer be allowed to withhold evidence on a crucial point, destroy vital records, then have one key witness like Supervisor Maul testify seven years later that he has no notes or records of the case, doesn't remember the case, although he was Mr. Kelly's supervisor on the case, and further that the records have disappeared?





## INDEX OF LISTING OF ALL PARTIES

All parties to this proceeding are: Sydney M. Eisenberg; Honorable Rex E. Lee, Solicitor General (Washington, D.C.); Supreme Court.

### PAGE

## INDEX OF OPINIONS IN CASE

- I. Decision by Judge Harlington Wood sitting in the federal court on the Motion for New Trial and Petition for Writ of Coram Nobis dated March 17, 1983 . . . . . 68
- II. Decision of the Seventh Circuit Court of Appeals, dated November 28, 1983 . . . . . 96
- III. Decision on request for rehearing en banc of the Court of Appeals, dated February 23, 1984 . . . . . 97
- IV. Extension of Time for Filing for the Petition For Writ of Certiorari, dated March 29, 1984 . . . . . 98

## I N D E X E S

QUESTIONS FOR REVIEW . . . . .	1
INDEX OF LISTING OF PARTIES. . . . .	6
INDEX OF OPINIONS IN CASE . . . . .	6
JURISDICTIONAL STATEMENT . . . . .	7
AUTHORITIES CITED . . . . .	8
A CONCISE STATEMENT OF THE CASE . . . . .	9
INDEX OF AGRUMENTS . . . . .	15



JURISDICTIONAL STATEMENT AND STATE-  
MENT OF FACTS

The original case was tried in the Eastern District Court of Wisconsin in 1976. New evidence was produced before the trial court and was supplemented by the IRS agent who made certain vital admissions with a decision by the trial judge in 1983 followed by an Appeal to the U.S. Court of Appeals of the U.S. Seventh Circuit signed February 15, 1984, because of an error. Correction by the Court of Appeals February 23, 1984 the Petition for a rehearing was argued November 3, 1983, and denied November 28, 1983, by the U.S. Court of Appeals.

The Court of Appeals Order of November 28, 1983 was affirmed for the reason that the District Court Order of March 17, 1983 was adopted.

Justice Stevens of the United States Supreme Court signed an Order on March 29, 1984 extending the time within which to file a Petition for a Writ of Certiorari in the instant case to and including May 15, 1984. This Appeal follows.



<u>AUTHORITIES CITED</u>	<u>PAGE</u>
<u>Dickerson</u> , 413 Fed. 2d 1111 . . . . .	59
<u>Miranda</u> , 384 U.S. 436 . . . . .	59
<u>Moon v. U.S.</u> , 272 Fed. 2d 530, 532 (D.C. Cir. 1959) . . . . .	57
<u>Mooney v. Holohan</u> , 294, U.S. 103, 79 L.Ed. 791, 55 S.Ct. 340 (1935) . . . . .	57
<u>People v. Calero</u> , 258 N.Y.S. 2d 207 . . (1965) . . . . .	57
<u>U.S. v. Agurs</u> , 427 U.S. 97, 96 S. Ct. 2392, 49 L.Ed. 2d 342 (1976) . . . . .	63
<u>U.S. v. Keogh</u> , 391 F. 2d 138, 147 (CA 2d 1967) . . . . .	62
<u>U.S. v. Morgan</u> , 346 U.S. 502, 98 L.Ed. 248, 74 S.Ct. 247 (1954) . . . . .	58
<u>U.S. of America v. Roosevelt Oliver</u> , Case #73-1699, 7th Cir. Ct. App. 1974	59
<u>STATUTES:</u>	
5 U.S.C. §554(a)(3)(b) . . . . .	51
26 U.S.C. §7206(1) . . . . .	9
28 U.S.C. §1651(2) . . . . .	56
<u>OTHER AUTHORIES:</u>	
Audit Technique Handbook for Internal Revenue Agents:	
§10(90)(3) . . . . .	31
§10(91)(2) . . . . .	23
§10(91)(6) . . . . .	31
§10(91)(7) . . . . .	29
§10(92)(5) . . . . .	31
§10(86) . . . . .	36



A CONCISE STATEMENT OF THE CASE

This case was originated by the filing of an indictment on September 5, 1975, in three counts for willfully making and subscribing false United States Individual Income Tax Returns for the calendar years 1968, 1969, and 1971, pursuant to the provisions of Title 26, U.S.C. §7206(1).

As the trial began, Defendant moved to suppress all books and records, that had been received by Revenue Agent Terrence Kelly covering the period from 1969 to 1972 on the ground that he presented himself as a revenue agent conducting a civil suit and continued the civil audit after he had commenced a criminal tax investigation without advising the Defendant of the change of the posture of the investigation in violation of Administrative Directives of the Internal Revenue Service. At the suppression hearing, Revenue Agent Terrence Kelly testified he had no contact





during the course of his civil investigation with anyone connected with Internal Revenue Service Intelligence during the course of his civil investigation. This motion was denied.

The case originally started on June 15, 1976 (hearing on suppression going first), and continued on successive court days through June 29, 1976. Trial was had by the Court, sitting without a jury, and on June 29, 1976 Defendant was found guilty as charged and fined \$3,000 as to each of Counts 1 and 3; and \$1,000 as to Count 2.

Appeals from the Judgment were taken by Defendant to the Court of Appeals and United States Supreme Court, and denied.

A motion was brought before the Trial Judge for a new trial on grounds of newly discovered evidence on January 16, 1981. Appellant believes it timely because of appeals.

Terrence Kelly was a Revenue Agent for the Internal Revenue Service, who examined the in-



come tax returns, and was materially involved in the prosecution of Defendant, signed an affidavit on January 16, 1981, admitting, for the first time, that during his auditing of Defendant he not only discussed the Eisenberg case with Group Manager Charles Howe of the Criminal Investigation Division, but also was present in a meeting with his Group Manager and IRS Criminal Special Agent Levin. Agent Levin testified the Defendant's case was discussed and instructions given. Kelly stated that the purpose of the discussion was to ascertain "affirmative factors," which constitute a firm indication of fraud. The affidavit was filed with the Court after Defendant moved for a new trial. Under oath, Kelly now admitted the previously denied meeting with Intelligence and named Simon Levin.

After being apprised of this disclosure, the Trial Court, on August 4, 1981, issued a memorandum order allowing Defendant an opportunity to argue the availability of Coram Nobis relief on the matter.



. In an order dated December 22, 1981, the Honorable Trial Judge ordered that an evidentiary hearing should be held to determine whether to issue a Writ of Error Coram Nobis pursuant to the All-Writs Section of the Judicial Code 28 U.S.C. §1651(a).

Accordingly, hearings were held May 10, May 11, June 3, June 4, 1982 by the Trial Judge.

Auditor Kelly continued a criminal investigation in the guise of a civil audit after discussing the case with Group Manager Charles Howe of the IRS Criminal Investigation Division, March 25, 1970, at Howe's office. Thereafter Kelly conferred and met with Special Agents Howe and Levin.

Auditor Kelly affirmatively misled Defendant as to the nature of the continuing investigation by never revealing his audit had changed to a criminal investigation. At the trial, Kelly originally denied having any conference with members of the IRS Criminal Intelligence Division and withheld evidence. He later admitted he was confused as to whether Defendant or the corporations owned the



stocks. Kelly, also testified at the instant hearings that he and his supervisor conferred with Intelligence Supervisor Simon Levin at a two-hour conference where he sought affirmative advice.

Most of Kelly's records were now lost as well as virtually all of Special Agent Simon's. Kelly had withheld the original records of meeting with Simon from the trial court.

Agent Kelly flagrantly violated IRS regulations which prohibited an auditor from conferring on a case with members of the IRS Criminal Section. He failed to timely refer the case for prosecution because he was continuing to amass a volume of copies of photostats of documents under the guise of a civil audit but actually simply papering the file! Other violations of the IRS rules and regulations all combined to result in Agent Kelly deceiving experienced CPA's and the taxpayer himself.

The meeting of May 24, 1971, which Auditor Kelly says was set up to obtain final answers from Applicant, followed the conferences with IRS Intelligence.

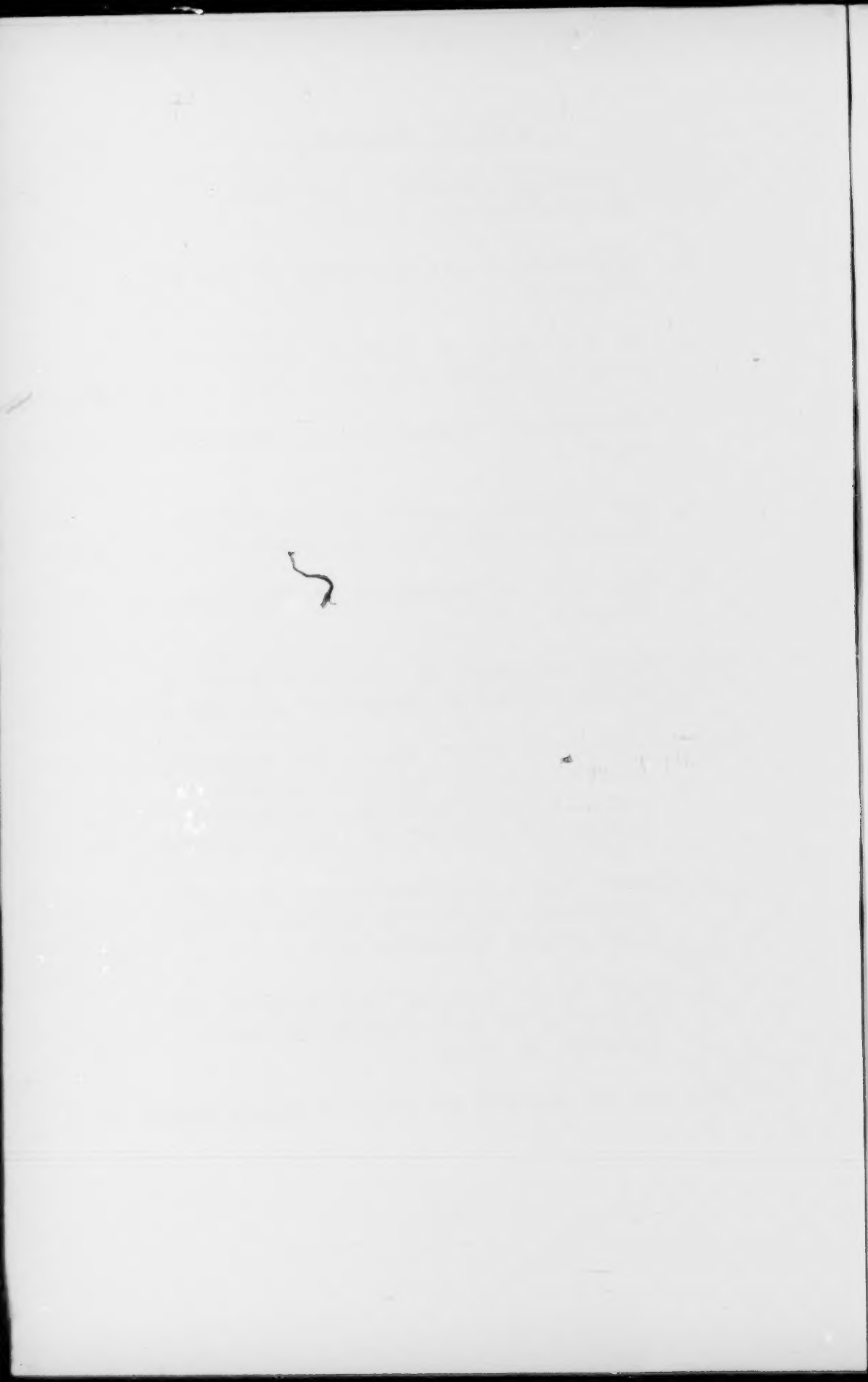




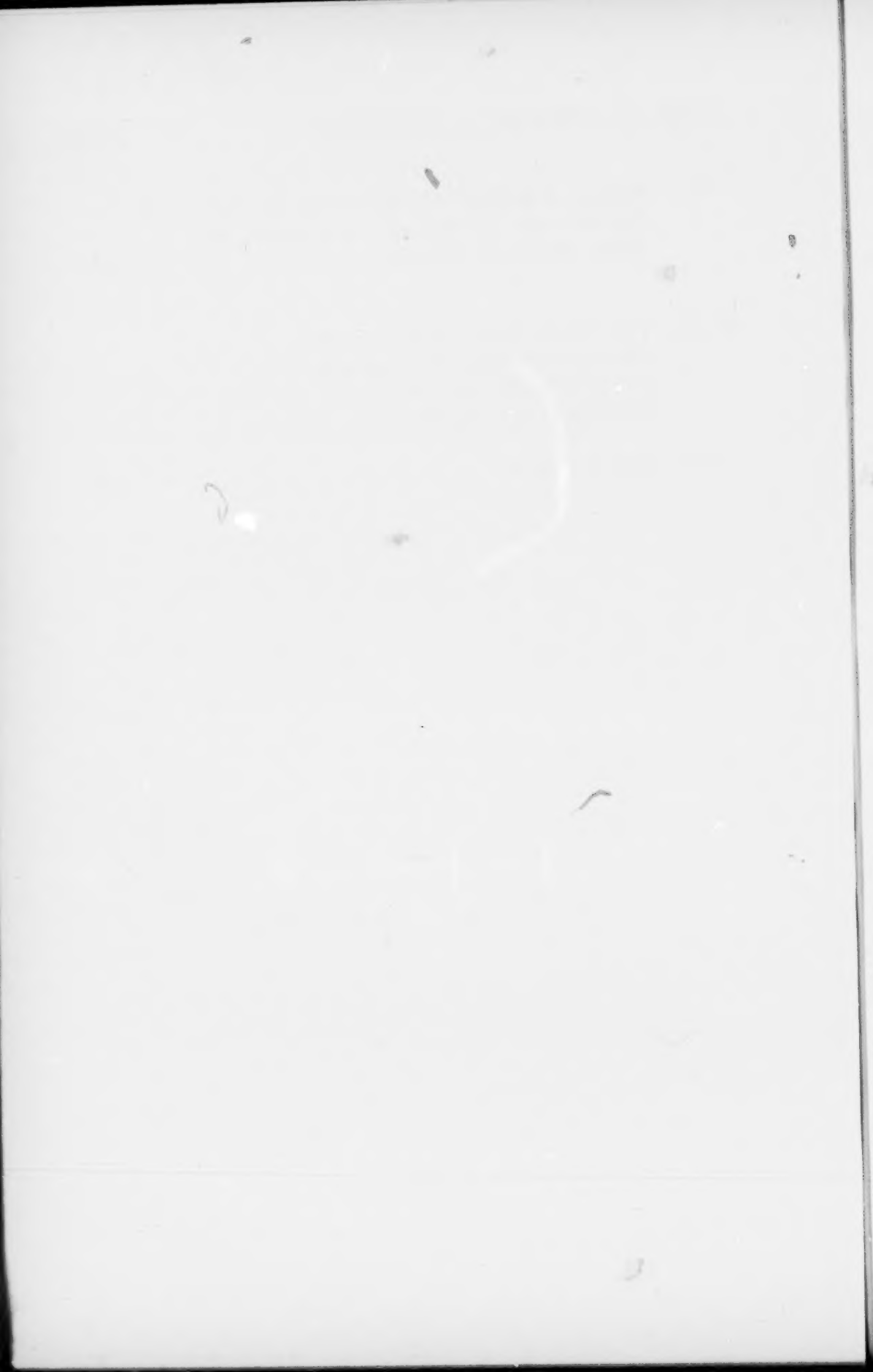
The meeting was obviously a "sham," because no questionable issues were submitted. The conference came about only as a suggestion of Fred Maul, who had said he desired to be present; Maul failed to appear, obviously, because the meeting was for no purpose... The decision to indict was made before the investigation began. The testimony as to the Kelly meeting of May 24, 1971, with Defendant should be suppressed and the case dismissed because of the fraud and deception aforementioned which was practiced against Defendant. Defendant's constitutional rights were clearly violated. The IRS did not simply use a ruse to obtain evidence; it adopted perjury and destruction of records to obtain a conviction.



<u>INDEX OF ARGUMENTS</u>	<u>PAGE</u>
I. EQUITIES REQUIRE A NEW TRIAL: IRS PERPETRATED A FRAUD . . . . .	17
II. CONCLUSIONS ARE CONTRARY TO LAW AND EVIDENCE . . . . .	18
III. IT WAS ERROR TO PREVENT DEFENDANT FROM EXAMINING FILES . . . . .	28
IV. PROSECUTION VIOLATED U.S. CONSTITU- TION . . . . .	28
V. IRS CRIMINAL AGENTS SHOULD NOT IM- PERSONATE IRS CIVIL AUDITORS . . . .	29
VI. IRS USED INTIMIDATION, DESTRUCTIVE TACTICS . . . . .	30
VII. KELLY INTENDED TO OBTAIN FINDING OF GUILTY ALTHOUGH DEFENDANT WAS NOT .	33
VIII. PERJURY OF AGENT KELLY WAS SERIOUS; CONDONATION OF KELLY'S PERJURY IS ASTONISHING & AMAZING; IT DESTROYS DEFENDANT'S RIGHT TO LEGAL PROCESS	44
IX. AGENT KELLY "AFFIRMATIVELY MISLED" DEFENDANT AS TO THE NATURE OF THE CONTINUING INVESTIGATION . . . . .	45
X. AGENT KELLY'S DECEPTION TAINTED THE PHYSICAL OR TESTIMONIAL EVIDENCE ADDUCED AT TRIAL . . . . .	50
XI. LAW ON SUBJECT OF WRIT OF CORAM NOBIS	56



XII. KELLY STOPPED AT NOTHING TO CONVICT DEFENDANT ALTHOUGH DEFENDANT HAD DONE NOTHING WRONG . . . . .	60
XIII. THE NEED FOR INQUIRY INTO PROSECUTORIAL SUPPRESSION AND IMPROPRIETY IS CRITICAL IN THE INTEREST OF JUSTICE . . . . .	62
XIV. CONCLUSION . . . . .	64



ARGUMENT I. EQUITIES REQUIRE A NEW TRIAL:  
IRS PERPETRATED A FRAUD

IRS Civil Auditor Kelly in a suppression hearing at the original trial in 1976 was asked whether or not he conferred with any IRS Intelligence Agent. Kelly denied any such conference.

By failing and refusing to disclose Mr. Levin's name, since no one was aware of that conference, it was impossible for anyone to question Levin, check his records which were then available or verify the true facts.

Missing records of Mr. Kelly, Supervisor Maul, and Mr. Levin have all been destroyed; the Court would not order them brought in.

Defendant knew nothing about Mr. Levin until Agent Kelly provided that information in an affidavit to the U.S. Attorney seven years after the 1976 trial, in 1983, when it became apparant that Agent Kelly was going to be taken to task for his misconduct.

Appellant believes and respectfully urges the Court to conclude that not only was there a serious





technical violation of the IRS Rules, but that evidence was concealed and that collusion does definitely appear in the case so as to deceive the taxpayer hereininvolved. The IRS cannot claim a "conspiracy" at the drop of a hat, as it frequently does, and then say there was no conspiracy in the instant case.

The conspiracy involved herein was for the purpose of misleading the taxpayer and his accountants. It was the accountants who were furnishing records "willy nilly" to Mr. Kelly. The accountants stated at the evidentiary hearings that they never would have provided any records to Mr. Kelly had they known that he was working together with the IRS Intelligence. It is not merely a question of Handbook Rules at this time; it is an issue of conspiracy between IRS and the IRS Intelligence to utilize mistakes and half-truths so as to ultimately coordinate a circumstantial title case against Appellant. Lying to the taxpayer was wrong; lying to the trial judge and misleading the Defendant in

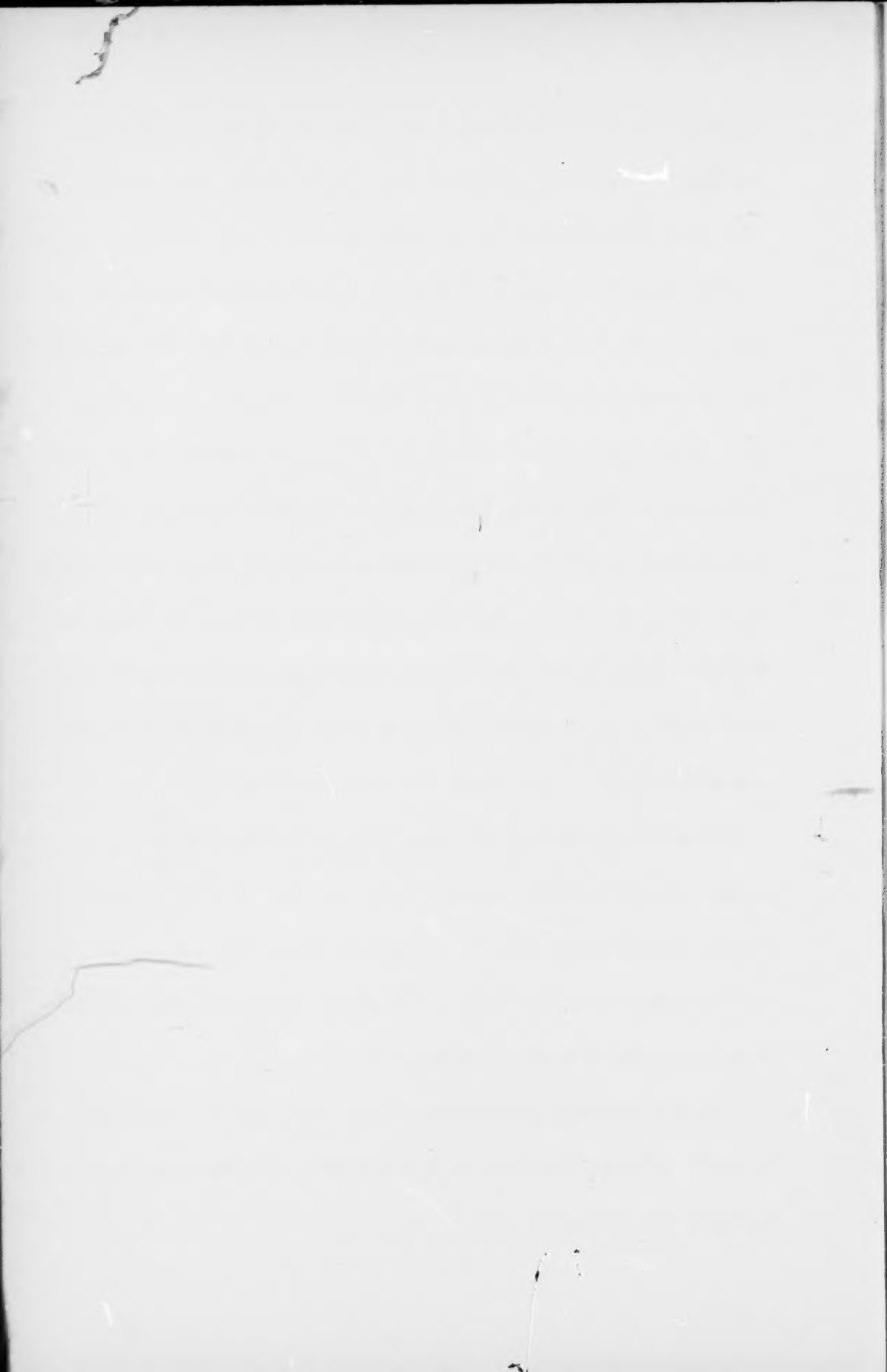


court was inexcusable and a serious out and out perjury that prejudiced the Defendant and threw off the Defendant's thinking.

The Court himself clearly established with Mr. Kelly that Mr. Kelly never had any proof of any stock manipulation. The first time in the case Mr. Kelly admitted that he had considered and had known all the time during his investigation of Appellant that he was confused about the situation concerning stocks he admitted the money to buy the stocks came from the corporations, which permitted and authorized Appellant to buy the stock for the corporations. He said he was confused.

Since the buying of the stock issues involved were based almost completely on Mr. Kelly's testimony, Appellant can only state that it is a sad day to convict one on the word of a witness who admits his testimony was confused.

The following testimony (pp. 85, 86 of Appellant's brief) proves beyond a reasonable doubt the issue herein involved:



"Mr. Kelly further gave these answers to the following questions (Tr. 4-1-82, p. 112, line 5, through p. 113, line 20):

"Q. Now with reference to the minutes, after you talked to Mr. Levin you didn't tell anyone in the world that you had found these certificates or not certificates. Statements, from the brokers which showed either purchases or sales of the stock in question, Hercules Gallion, the Gisholt, etc., in the name of the corporation, is that right?

"A. I didn't mention that in my referral report.

"Q. But in truth, and fact there's no question but that stock was bought or sold in the name of the corporations, Prospect Heights I am talking about, or Shoreland Manor. Is that right?

"A. I didn't think it was relative to the referral.

"Q. But yet in the referral you refer to the fact, do you not, that I am unsupported, when there were written documents providing otherwise, isn't that true?

"A. With regard to the Gisholt stock we felt you were unsupported...

"Q. Even if the statement showed in black and white that they were brought or sold in the name of the corporation?

"A. There was some question in our mind as to whether or not in fact that those accounts were in the names of the corporation, but might be your accounts.

"Q. I don't follow that one. Even though it



said on top of the statement with the broker that the account was in the name of Shoreland Manor, there was a question in your mind whether even though it said Shoreland Manor it really meant Sydney Eisenberg, is that it?

"A. Because you had the authority per the Corporate Minutes to buy and sell stock within your own name. And also with the fact that you used stock that was purchased through the brokerage accounts of the various corporations to collateralize loans, personal loans of yours. There was a great deal of confusion as to which stock owned or which entity owned which stock.

"Q. Who was the confusion with?

"A. Me.

"Q. Did you ask me?

"A. No, I didn't.

There was no net worth involved in the instant case, and Mr. Kelly's testimony brought out during the hearings again proves this fact:

"Q. Is it your statement under oath that the corporation didn't own--the two corporations didn't have 250 thousand dollars worth of bonds, Government bonds that were cashed in at that time?

"A. They might have had bonds but I don't know as to how much they were.

" In Tr. 4-1-82, p. 116, he was asked the following questions and gave the following answers: (lines 14 through 19)





"Q. Are you saying under oath, Sir, that there was no bonds, no Government bonds that were freed by that refinancing?

"A. At this point something tells me that I recall something about bonds, but what the facts were with respect to those bonds, I can't tell you at this point in time."

"The complete absence of reliability or credibility of Kelly's testimony proves that there was no valid case against Defendant (Appellant). The testimony of former bookkeeper Ethel Bolden stands uncontradicted. She was in full charge of all check writing for the law office, and acted without instructions from Defendant in paying and recording the Cates bills."

It is little wonder that Agent Kelly came up to the Appellant during the hearing and stated in the Courtroom, which Defendant placed on the record that he was sorry for what he had done him.

Kelly said Defendant's name was absolutely not used. Simon Levin testified he recalled meeting Kelly and Fred Maul, and said a number of times the Defendant's name was used in the discussions concerning Defendant Eisenberg. Kelly gave one specific date of a conference with Levin. Levin gave an entirely different date for a conference; there were apparently two. Eisenberg's name was



disclosed and, in fact, known. Kelly returned to the audit, however, and obtained data on every aspect of the case.

Special Agent Howe, immediately after the referral, first assigned Agent Edward Schwalbach and then assigned Special Agent Ubellohde to the case. This is the same Mr. Howe who was in charge of Special Agent Simon Levin after March 1971, discussed the case with Kelly and Simon Levin after the referral of the case for fraud in 1972 with respect to Defendant's case. The dates of the newspaper clippings prove he never stopped working on the case. Judge Wood was looking for clear and convincing evidence that Kelly's silence as to his contacts with Intelligence was intended to mislead Eisenberg, and was fraudulent. (See his Decision of August 4, 1981). The admitted proof substantiated the fraud.

The IRS acted like a rogue elephant in this case.



## II. CONCLUSIONS ARE CONTRARY TO LAW AND EVIDENCE

If this case stands as the law, IRS could openly continue with an audit to build up a case against anyone they wanted to destroy, whether a minoirty, an Anglo-Saxon Protestant, any businessman, leader, worker, or anyone in the U.S.A. Find some errors on the return, although made out by a CPA. Compile all the errors, blame them on the taxpayer, frighten him into a heart attack and stroke, (if he doesn't understand what the auditor is after, he'll frighten), run around the neighborhood telling his friends he is a tax cheat, accumulate thousands of photostatted business records, and infer in the courtroom to everyone that he is a "con" artist. The IRS conduct in this case was completely uncalled for in a civilized society.

Intelligence Agent Levin was the supervisor in the Intelligence Department. He definitely established clearly, succinctly, tersely, and without any question that the meeting between Kelly, his supervisor, Maul, and Intelligence Agent Levin was



. not simply a hypothetical conference where the name of the taxpayer was not mentioned. He stated without equivocation, that Appellant was mentioned during the course of the conference. If Mr. Kelly comes out of this case convincing the Courts that there was no nefarious misconduct, it is contrary to the testimony of Supervisor Simon Levin:

"Tr. 6-3-82, p. 173, lines 13 through 23; p. 174, lines 1 through 4):

"Q. Now during the course of that discussion do you recall the name of the taxpayer being mentioned at any time?

"A. It may have been mentioned at the end, Yes. It may have been. I do know that this transaction did involve Mr. Eisenberg, Yes.

"Q. You say that you know it involved Mr. Eisenberg. How do you know that?

"A. It's the Eisenberg case.

"Q. Well, ---.

"A. I think his name was mentioned at the end of the proceedings, the conference that we had...

"Q. Is it possible his name was not mentioned?

"MR. EISENBERG: That's objected to now.

"THE COURT: He's already said a couple times he thought it was mentioned at the end. I sustain the objection.





"He stated further information provided to him.  
(Tr. 6-3-82, p. 174, lines 5 through 17):

"Q. What exactly was it that you told Fred Maul and Terry Kelly in response to their statements to you?

"A. The only thing is I asked them if they had all the details of the checks, dates, the dates cancelled, bank records showing what they related to or whatever testimony they needed, statements as to the nature of the checks from the people involved and the same thing regarding the stock transactions that they had all the documents necessary to refer it and the statements as to what transactions involved. Just to make sure they had enough for referral.

"On November 16, 1972, Simon Levin had another meeting with Kelly and Special Agent Howe. (Tr. 6-3-82, p. 177, lines 17 through 24):

"Q. Can you tell me what was discussed at this--- or what was discussed with Revenue Agent Kelly and Group Supervisor Howe at the November 16, 1973 meeting?

"A. I don't remember this discussion at all but there should be a memo in the file. It says here I prepared a memo on assignment of the Eisenberg case. Had a discussion with T.A. Kelly and G.S. Howe. So there should be a memo in the file.

"The pre-referral meeting with Maul and Kelly, of September, 1970, was designated 'case development,' and covered two hours. (Tr. 6-3-82, p. 180, lines 15 through 21)."

With reference to the question of improper delay on referral from Civil to Intelligence, Appellant



maintains that in the instant case the file was "papered over" by placing thousands of exhibits in the record for no purpose other than to create confusion. Appellant did not try the case against him, or even understand it. He did not sit with his counsel. His counsel maintained there was no case against him, and did not place on the stand Defendant, or his witnesses, who were in the courtroom ready to testify.

Taxpayer and his public accountants should be given the Miranda warning the day the IRS civil accountant first begins his civil audit. The fact is there is no longer any civil audit if this decision is adopted.

The Honorable Trial Judge was constrained to comment in his decision: "Agent Maul's memory was remarkably unpersuasive." ... "Special Agent Levin's recollection of the 'hypothetical' approach claimed to have been used was no more than a subterfuge to avoid the restrictions but possible with a little less strain on the conscience..."



III. IT WAS ERROR TO PREVENT DEFENDANT  
FROM EXAMINING FILES

After or during these hearings, some records were left with the Clerk of District Court by the U.S. Attorney; they were open to the public. Appellant believes he is entitled to examine these records. They were open to the public, and any confidentiality, if such was claimed, were therefore waived. This was another reason this case should be reversed.

IV. PROSECUTION VIOLATED U.S. CONSTITUTION

Kelly's undisclosed contacts validate Defendant's claim that material evidence was obtained by deception in violation of the Fourth and Fifth Amendments. Auditor Kelly was assigned to and did provide vital data to IRS Intelligence in pursuit of a path of criminal investigation. The Kelly violations were deliberate, prejudicial, and serious. In the trial of Defendant, Kelly concealed the truth as to his contacts with Intelligence. His conduct in obtaining thousands of records were fraudulent.

The Audit Technique Handbook For Internal Revenue Agents, §19(91)(2) specifically provides: "After



an agent discovers the possible existence of fraud he must decide when to suspend his examination and prepare his referral report." §10(91)(7) requires that an agent not discuss taxpayer's case with Intelligence prior to the submission of the referral report.

V. IRS CRIMINAL AGENTS SHOULD NOT IMPERSONATE  
IRS CIVIL AUDITORS

Kelly was doing more than performing an audit after his conference with Howe and Levin. He was using photostat equipment in Defendant's CPA Levine's office at Defendant's expense. He had been requested by Defendant to let him know of any errors found. But under guise of a friendly audit, he followed a pattern of criminal investigation. In our case, the IRS Auditor was a double agent, namely an Auditor and an Intelligence Agent. Permitting this conduct would probably stop most civil audits, and is inexcusable. But lying to the Trial Court is inexcusable.

The coordinator on case development against the





Defendant, the person who was determined to "get" Defendant, regardless of violation of the Audit Technique Regulations by the Internal Revenue Agents and constitutional rights, was IRS Intelligence and Criminal Section Group Manager Charles Howe. It was he who told the incredulous story of finding a file designated as "Sydney Eisenberg"; it has no reference to any fees, any monetary considerations whatsoever, nothing that would involve income taxes in any way, shape, form or manner. Charles Howe could not explain how his assignment memorandum on Sydney M. Eisenberg was blank as to most of one of the pages. Certainly, any reasonable person would assume that vital and pertinent information had been eliminated. More lies. He admitted contacting Auditor Kelly and receiving audit information on the two admitted conferences on March 25, 1979, and July 8, 1970. Kelly obtained information that Howe needed.

#### VI. IRS USED INTIMIDATION, DESTRUCTIVE TACTICS

Auditor Kelly was placed inside for the team. He provided the falsehoods and violated the rights of



the taxpayer by claiming to proceed on an IRS audit of tax records. He was audacious and ruthless because he had the IRS Criminal Section to back him.

Mr. Howe and Mr. Kelly both disregarded the rights of the taxpayer in several respects. Government Exhibit 17, The Audit Technique Handbook For Internal Revenue Agents, specifically provides:

"Procedure After Discovering Indications of Fraud 10(91)(6): "...The agent should bear in mind that he is not, at this point, building a fraud case against the taxpayer..."

Subsection (7) provides:

"It is important that potential criminal cases be handled properly by the agent. The agent should not discuss the taxpayer's case with Intelligence prior to submission of the referral report. After the referral report is submitted there shall be no further contact with the taxpayer until the referral is either accepted (in which case the special agent should be present) or declined."

"10(92)(5): "The agent is again reminded that although he should be certain that his suspicions concerning fraud are warranted, he should guard against proceeding too far in developing the fraud aspects of the case."

Also 10(90)(3):

"On the other hand, if the agent extends his examination too far before submitting his referral report he may be doing unnecessary work. The



special agent who will come into the case later may find it necessary to repeat some of the work previously done in order to document evidence required in a criminal case. Also, the overextension of the examination may jeopardize criminal prosecution by giving the taxpayer a basis for claiming that the criminal case was substantially built by the revenue agent under the guise of making an audit for civil tax purposes."

Government Exhibit 6, so-called "hypothetical," is headlined, "Facts." On pages 5 and 6 of that document, Mr. Kelly states:

"My Conclusions. 1) All the transactions the taxpayer had involving the above mentioned stock would indicate that he owned the stock 2) The statements made by the corporation's accountant completely contradicts the statements made in the corporate minutes. I wonder when the minutes were actually adopted!! 3) By transferring the gain to the corporation there was a substantial tax savings. However, the taxpayer continued to have complete and full use of the proceeds from the sale. 4) Other than the letter from the account and the corporate minutes, which are both self serving, there is no attainable information to indicate that the stock was owned by anyone other than the taxpayer. 5) It is my opinion that the idea of transferring the stock to the corporation developed after the sale of the stock. When the taxpayer realized that he would have a large tax liability, he decided to transfer the stock to the corporation."

His "conclusions" prove that Kelly had concluded he had a fraud case September 21, 1970, as well as on March 23, 1970. But he continued his investigation for fraud from March 25, 1970, to the date trial in June, 1976.



VII. KELLY INTENDED TO OBTAIN FINDING OF  
GUILTY ALTHOUGH DEFENDANT WAS NOT.

July, 1970 Howe decided to have Kelly continue obtaining all the information, and in September his associate, Intelligence Officer, Mr. Simon Levin, urged Kelly to proceed with prosecution. On June 29, 1979, Intelligence received a copy of the Referral Report For Potential Fraud Cases from Kelly. June 29, 1981 was more than nine months after the September 21, 1970 conference between Maul, Kelly and Simon Levin.

Agent Kelly is discredited in the face of all the contradictions by other witnesses. The Trial Court's decision does not consider that Kelly abused the constitutional rights of the Defendant. Kelly's credibility has been destroyed by himself, as well as his own associates.





Kelly admitted at the rehearing his original premise was questionable.

Charles Howe recommended that no further action be taken by the Intelligence Division after July 9, 1970. He also told the Court that the file was closed, although that was not what he had written in his memorandum. Nevertheless, attached to the memorandum are clippings, eight pages, entitled "Intelligence," showing publication dates of July 25, 1969; July 30, 1969; August 1, 1969; August 2, 1969; August 6, 1969; August 13, 1969; March 16, 1970; May 14, 1970; November 3, 1970; November 4, 1970, December 17, 1970; December 19, 1970; January 5, 1971; April 29, 1971. All the clippings with dates after July 9, 1970 prove that Charles Howe did not tell the truth when he stated that he recommended no further action be taken by Intelligence Division July 9, 1970. (Government Exhibit 27)

Mr. Howe's own records prove he continued to develop the fraud case at all times, and parti-



cularly while Auditor Kelly was his "front man." Mr. Kelly falsified his answers because he knew that his relationship with Charles Howe was illegal. The case before the Department of the Treasury, Complainant 78-6, entitled, "Director of Practice v. Sydney M. Eisenberg," held December 19, 1978 contains the following on pages 141 and 142: (Answers by Kelly)

"My question is this: You told the Judge that the first time that you went to Intelligence was when?" You tell the Judge about me.

"A. It was shortly after I referred the case or my report, my referral report to the Intelligence Division regarding yourself.

"Q. When, what year?

"A. It would be in 1971, in June of '71.

"Q. That is not the truth. That is what you said before. Is that the truth or not the truth?

"A. The first time?

"Q. Yes.

"A. To the best of my recollection, that is the truth.

"Q. Isn't it the truth that you talked to Charley Howe when he called you in, in March of 1970, yes or no? Very simple.



"A. No.

"Q. And if Charley Howe were to say that, that would be a lie, is that right?

"A. That he called me in?

"Q. Yes, you bet.

"A. That, I stand on my answer.

"Q. That he would be lying?

"A. This is correct.

Furthermore, the Audit Technique Handbook For Internal Revenue Agents also provides, represented by Government Exhibit 17, in 10(86):

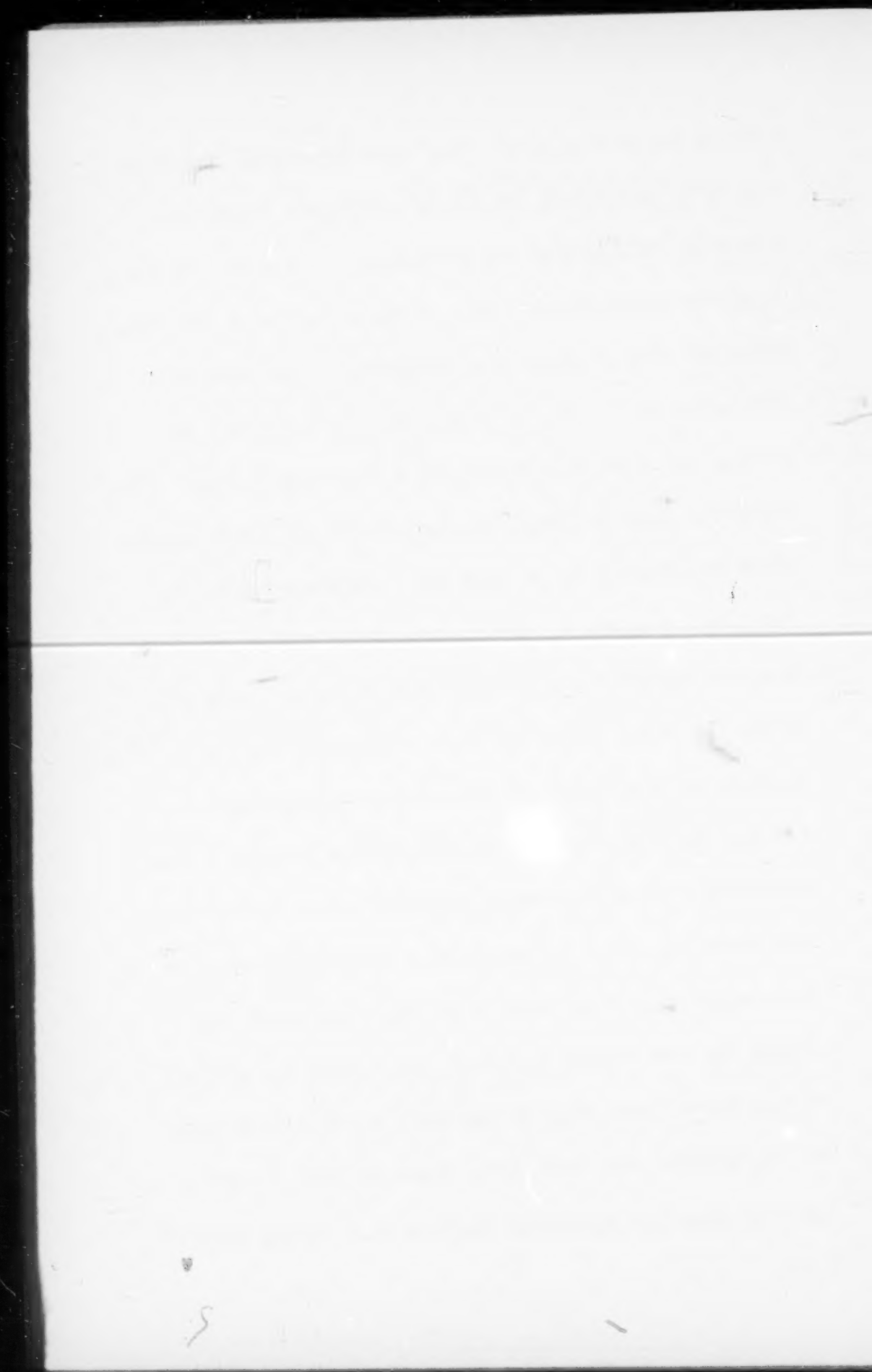
Conduct of Revenue Agents (n) A revenue agent should always be impartial in his official capacity. He must not be influenced by political, racial or religious considerations. He must so conduct himself as to make it apparent to all persons connected with the case that his investigation is completely impartial."

The conduct of Mr. Howe was in complete disregard of this section of the Audit Technique Handbook For Internal Revenue Agents. The dates of the clippings prove they were not all in his file February, 1970.

One has only to look at the many newspaper clippings attached to his July 9, 1970 memo-



random to prove also that his Criminal Section was not impartial in their official capacity, but was influenced by political, racial, or religious considerations. Some clippings involve stories concerning the Defendant, who was reportedly critical of a Milwaukee Sentinel reporter in his treatment of a sitting Judge. The reporter was accused by Defendant of Anti-Semitism according to a reprint clipping from the Sentinel August 1, 1969, the file referred to Special Agent Howe. Why did Howe collect a clipping that inferred Defendant was Jewish? The clippings are full of free speech arguments raised by American Civil Liberties Union. The newspaper simply sought to shift the blame for the suicide of a Judge from a vicious, untruthful newspaper reporter who lied when he told the Judge he was being removed, in order to evoke a reaction from the Judge that he could point, to Defendant and his son, when it was clearly established in hearings before a Referee appoin-





ed by the Wisconsin Supreme Court who took testimony over a long period of time to determine what had happened, that Defendant had done nothing whatsoever wrong. The Wisconsin Supreme Court reviewed Referee Young's findings and reversed, but Referee Young saw and heard the witnesses testify. Defendant's religion entered the case August 1, 1969 through that clipping.

It is now apparent that we have the "smoking gun" linking the tax case directly to the newspaper reporter's misconduct. Charles Howe provides the "missing link," whereas Terrence Kelly and Ubbelohde are part of the Howe "Gang Busters" team. Howe continued accumulating the newspaper stories from July 24, 1969 through April 29, 1971. (Gov. Ex. 27) IRS Intelligence never left the case. The IRS Intelligence used psychological warfare with its tactics. The IRS Criminal Section representative Howe was influenced by political and religious considerations. Why else was the Anti-Semitic clipping



included? The IRS representatives continued attempting to "get" Defendant. They so conducted themselves as to make it apparent to all persons connected with the case that their investigation was completely partial.

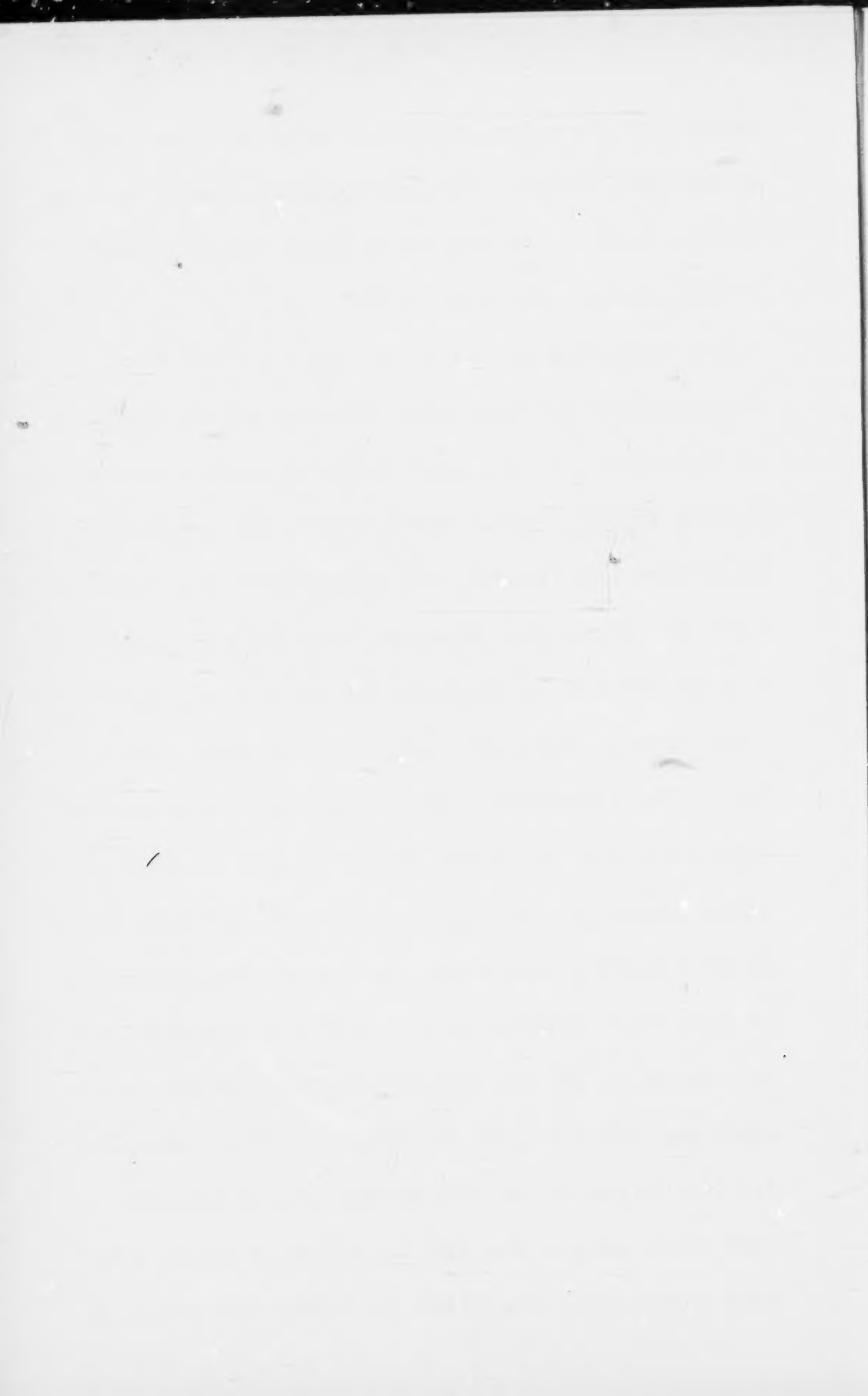
The timing of Intelligence Criminal Division Howe and Kelly's audit farce on Defendant must also be noted. As the clippings indicate, the audit and its criminal aspect was developed at the same time that the professional conduct case was proceeding on a complaint filed by the Board of State Bar Commissioners, the chairman, of which, at that time, was W.A. Boardman, a lobbyist for the Newspaper League, dominated by The Milwaukee Journal. Reference to the complaint by the State Bar Commissioners is contained in the news clipping with publication date of March 16, 1970, attached to the memorandum of July 9, 1970. Neither the newspaper nor the IRS intended to give Defendant time to tell how the newspaper staff had "polished off" the Judge, and why they did it to him. Kelly co-



ordinated his investigation with the newspaper clippings' dates. Defendant could spend no time on the audit. He had to rely on the CPAs and bookkeepers. IRS knew this.

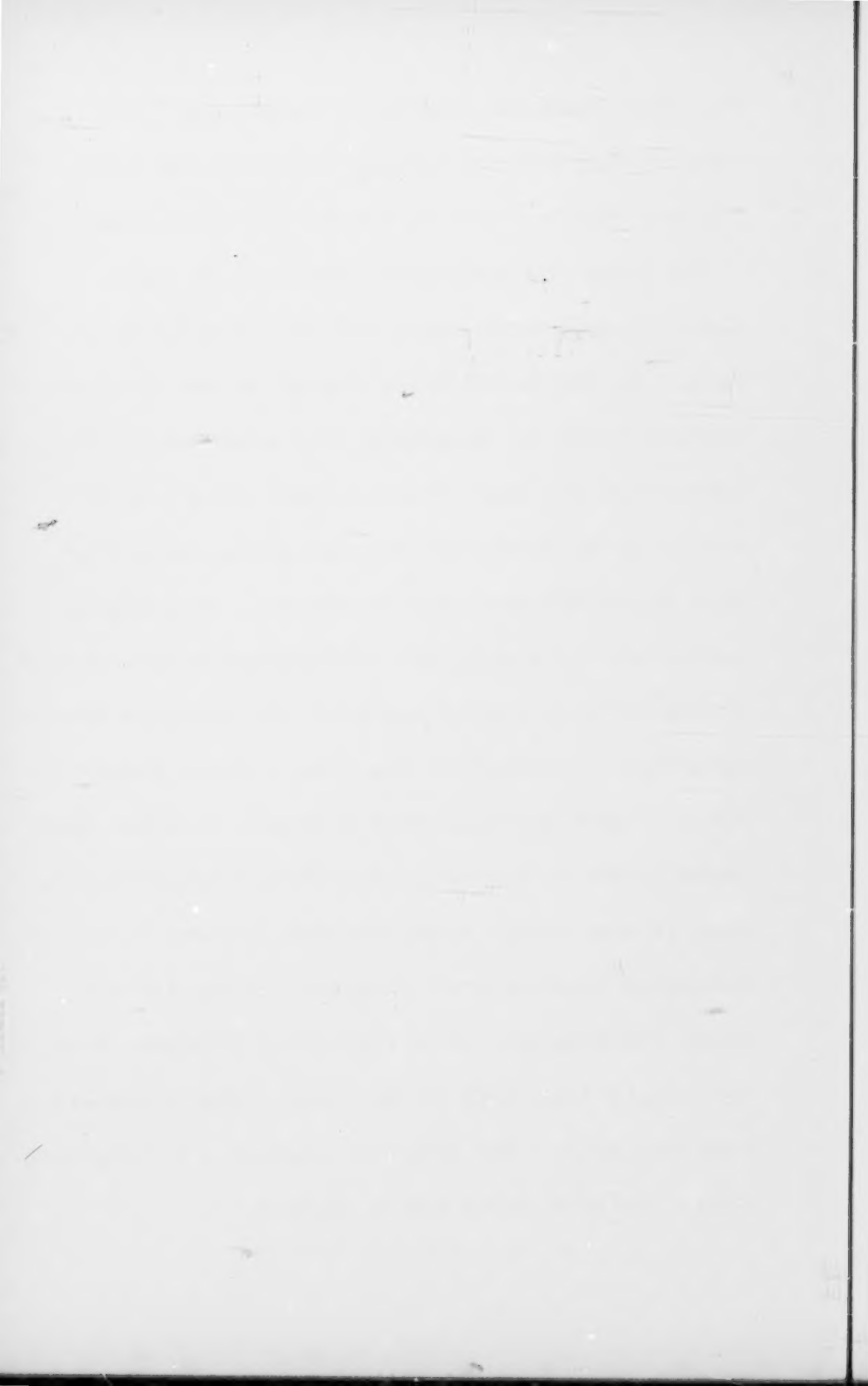
The clipping of March 16, 1970 states that there was no professional misconduct on the part of Defendant in the eyes of Referee Professor George Young, former Dean of the University of Wisconsin Law School, who filed such conclusions with the Wisconsin Supreme Court as the result of a long inquiry he conducted into the charges.

So Charles Howe proceeded with a case study to "get" the Defendant. With the many transactions Defendant was involved, Kelly sought to find possible areas of conflict in accounting thinking, or bookkeeping mistakes. Not everyone agrees on everything. Howe's July 9, 1970 memorandum was retrieved under the Freedom of Information Act, with the IRS numbers: 070 and 002-071. Nowhere did the legislators who passed the income tax laws ever expect the IRS to become a super police power with the right to tread violently on



the constitutional rights of taxpayers. The line of demarcation between Auditors and Intelligence Agents would be completely eliminated.

The fraud and deception practiced by Auditor Kelly on Defendant continued into the trial itself. At the trial Kelly stated he had only two conversations by telephone only with Howe. The impression was that Special Agent Howe simply wanted to know through two telephone calls whether Kelly was auditing taxpayers. Howe firmly testified there were two conferences actually held in his office. Kelly reported his findings and thereafter continued on the case. Kelly thereafter sought guidance from Criminal Division Head Simon Levin on September 21, 1970. Kelly says he knew it was wrong to use taxpayer's name in an attempted hypothetical question, so he did not. Agent Simon Levin, as a segregated witness, says definitely that this is not true. The Eisenberg name was used. The case was clearly the Eisenberg case. Kelly's story was destroyed.





Clearly, the Maul, Kelly, Levin conferences were all part of the criminal case development, case originating with Special Agent Howe, joined in by Kelly and guided by Simon Levin and Fred Maul. The time was charged up to "case development," and Mr. Simon Levin told the simple, unvarnished truth, knowing that his daily written report verified the facts as he told it.

Charles Howe became Simon Levin's supervisor in March, 1971, and there were discussions from time to time with the agents in one group about various cases (Tr. 6-3-82, p. 192, lines 2 through 5 and lines 21 through 25):

"Q. We have that clear?

"A. Yes, I was transferred out of the group supervisor's slot in March, '71 and then Charles Howe became supervisor. And I was under his supervision...

"Q. Now you say there were discussions from time to time with the gentlemen that were in one group about various cases as well as with the supervisor, right?



"A. On occasion there would be some discussion. But nothing of consequence."

Simon Levin stated it was contrary to the rules and not "cricket" to have somebody in the Audit Section get information for the Intelligence Section (Tr. 6-3-82, p. 197), lines 19 through 25; p. 198, lines 1 and 2).

Mr. Kelly's deception and untruthfulness is clearly demonstrated from the answers he gave to counsel for the Defendant before the Court at the initial trial on June 14, 1976, at 9:30 a.m. (Tr. 6-14-76; p. 52, lines 1 through 19):

"Q. Now, during the period from April 1st, '70 to June of '71--

"A. Excuse me, Sir. I beg your forgiveness. I have the '71 time reports here. I was looking at the '70. And we do have the time that I spent through the date of the referral. All right. From April 1st of '70--well, from April 1st or the 23rd when I was reassigned to the Milwaukee District, I spent 825 hours on the case.

"Q. From April 23rd '70 to June 30th?

"A. No, until June 4th.

"Q. Oh, 800--

"A. And 25 hours.



"Q. During that period did you talk with any other Special Agents other than Mr. Howe?

"A. I did not.

This direct statement of Mr. Kelly that he did not talk to any other Special Agents other than Mr. Howe, prejudiciously misled the Court and counsel at the time of the trial.

VIII. PERJURY OF AGENT KELLY WAS SERIOUS;  
CONDONATION OF KELLY'S PERJURY IS  
ASTONISHING AND AMAZING; IT DESTROYS  
DEFENDANT'S RIGHT TO LEGAL PROCESSES.

The following questions By the Court and answers prove that Mr. Kelly was aware of his misconduct. (Tr. 6-14-76; p. 49, lines 24, 25; p. 50, lines 1 through 18):

"Q. You're admonished by the manual, are you not, that 'the overextension of the examination may jeopardize criminal prosecution by giving the taxpayer a basis for claiming that the criminal case was substantially built by a Revenue Agent under the guise of making an audit for civil purposes.' You're aware of that?

"A. Yes.

"Q. And are you also aware that, "The agent should not discuss the taxpayer's case with Intelligence prior to the submission of the referral report. After the referral report is submitted there should be no further contact



with the taxpayer until the referral is either accepted or rejected?'

"A. That is correct.

"Q. And we are talking about the period April 1st, 1970. And when did you draft your referral report?

"A. My report was submitted on June 24th, 1971.

IX. AGENT KELLY "AFFIRMATIVELY MISLED" DEFENDANT AS TO THE NATURE OF THE CONTINUING INVESTIGATION.

Agent Kelly admittedly met with Special Agents Howe and Levin, but never indicated or told taxpayer or his representatives of his determination to seek a criminal investigation. He was not interested in an accounting. He was interested only in effectuating a criminal prosecution. By obtaining a plethora of records he sought to mislead the Court, and succeeded, since the Court found a number of mistakes constituted "circumstantial evidence" although made by the accountants, not the defendant.

Agent Kelly affirmatively misled the Court by claiming errors were made by Defendant personally, knowing that Defendant never even saw any books.





Previous yearly audits had been resolved with no fraud claims; minor tax adjustments and good relationships had been established between Kelly and previous IRS auditors and Defendant's accountants and bookkeepers before Kelly was contacted by IRS Intelligence.

CPA Edward Gilman, called as a defense witness, testified he took the corporate books and records, took trial balances, determined adjusting entries where needed, prepared income tax returns, reconciled bank accounts, made journal entries and closing statements. He first discussed income tax returns with Kelly in late 1970 and early 1971. He had cordialities with Kelly, who discussed the two corporations, the work papers, talked about Gilman's children, running the books and two corporate records. (Tr. 6-4-82; p. 87, lines 2 through 19). They looked at records; Gilman answered questions.

Kelly, during the period from February, 1970, never said he was making an investigation in conjunction with IRS Intelligence. Had Gilman known



he said, counsel would have been sought immediately. He told Defendant to engage counsel after the case was referred June 30, 1971, and Attorney Lip-ton was engaged. (Tr. 6-4-82; p. 87, line 20 through p. 89, line 10).

CPA Levine testified he first saw Kelly in the late 1960's when Kelly was auditing Defendant's records. Kelly was given a desk in Defendant's office. Mr. Levine testified that if Kelly had said he was in communication with IRS Intelligence per-taining to bookkeeping Levine "would have told you to get an attorney and not have me handle it." (Tr. 6-4-82; p. 139, lines 6 through 9). CPA Le-vine said he assumed Kelly wanted the photostatic record for his file to back up any assessments.

During the period referred to as in parenthesis, February, 1970 to June 30, 1971, Kelly was given by Levine everything he wanted: cancelled checks, bank statements, notes, journals and bookkeeping records. (Tr. 6-4-82; p. 144, lines 11 through 22).

After being informed by Mr. Schwalbach that the



matter had gone to Intelligence, Levine says Mr. Lipton was retained and he took them away from CPA Levine to Mr. Lipton's office. Mr. Lipton told CPA Levine not to discuss the matter with anyone. (Tr. 6-4-82; p. 146, lines 3 through 6). Agent Kelly never paid CPA Levine for all the photostating he did for Kelly. He showed Kelly how to use the machine and told him to copy anything he wanted to. CPA Levine testified he made year-end entries for Defendant, and Mr. Gilman did this for the two corporations.

CPA Levine remembered Mr. Kelly asking all the questions contained in Exhibit 7, signed by Fred Maul, entitled "Terry," dated September 23, 1970. Levine discussed the questions with Kelly, including stock purchases and minutes, losses and profits on stocks. (Tr. 6-4-82; p. 160, lines 2 through 24). Levine remembered telling Mabel to make sure she vouchered all the 1971 invoices as of December 31, 1971 and not to get any '72 invoices mixed in with the '71 invoices. He told Mabel that she could not change the system.

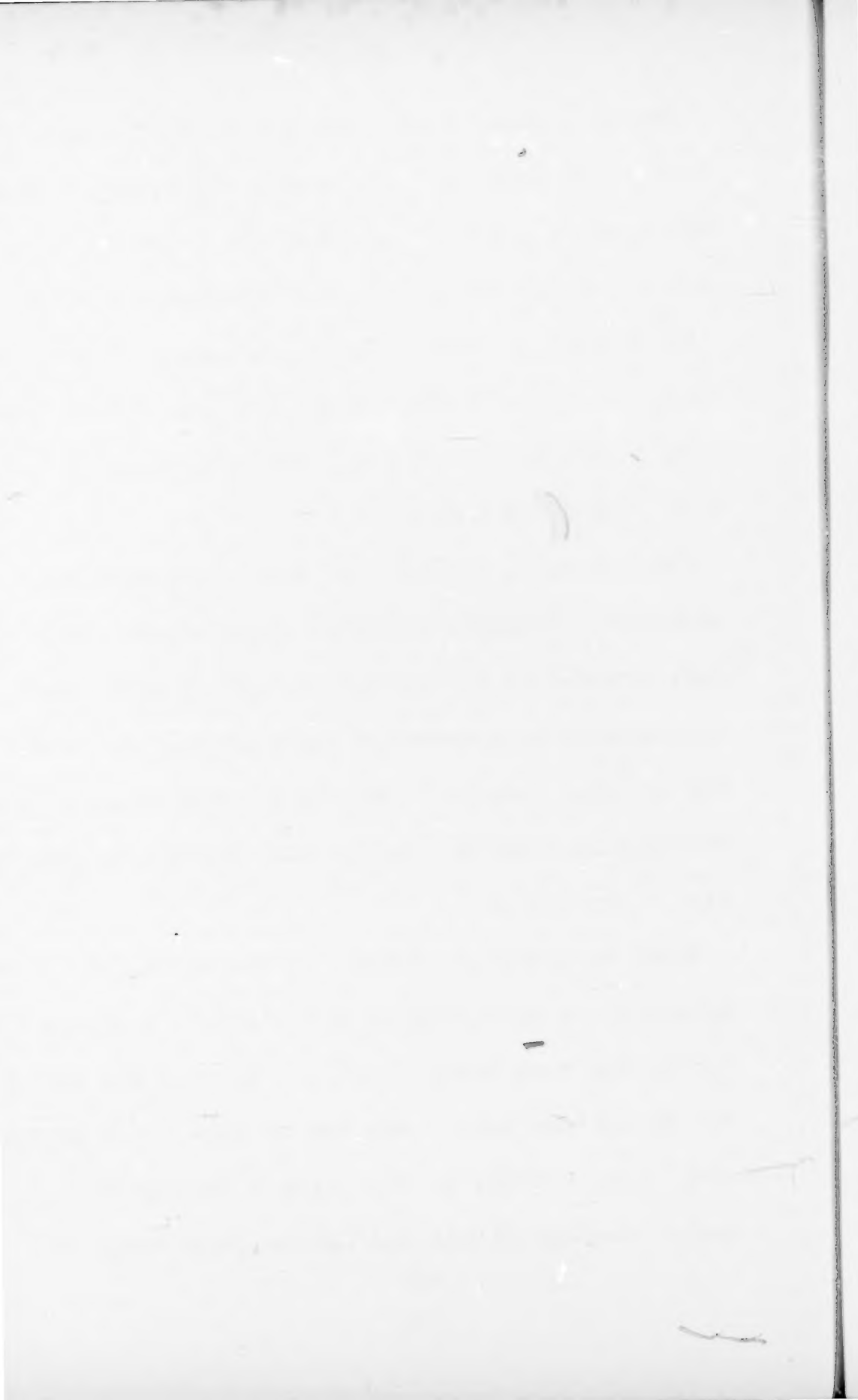


. CPA Levine had a discussion with Kelly where he told Kelly that IRS had "okayed the system;" the adjustments for both personal and corporate entries and the Cates bills were also discussed with Kelly. (Tr. 6-4-82, p. 165, line 4, through p. 166, line 8; p. 167, line 1 through p. 169, line 17; p. 170, line 1 through 18; p. 177, line 9 through 25; p. 172, line 1 through 13).

CPA Levine testified that Mabel Peterson made mistakes. Interest reported three months later were covered in an amended return for 1970, and Levine said he discovered the mistake. (Tr. 6-4-82; p. 201, line 25.) Mr. Levine discussed 1970 bookkeeping with Mr. Kelly. (Tr. 6-4-82; p. 202, line 4 through 14).

Mabel Peterson complained to CPA Levine of spending too much time on Kelly's work requests during the time frame involved, so that she could not do her own work. She had to work hours overtime. (Tr. 6-4-82; p. 211, line 6 through 21).

Kelly, through Gilman and Levine, kept Mabel Pe-





terson busy from his first conference with Howe in March 1970 through June 1971.

The extent of the duplicity and deception practiced by Mr. Kelly is exemplified in these questions and answers (Tr. 5-10-82; p. 128; line 5 through 11):

"Q. Now my original statement to you was that I would tell Mr. Levine to give you anything you wanted in the way of investigation because I was convinced you were going to tell me if there was anything wrong. Do you recall that?

"A. Is this back in June of '69?

"Q. Yes.

"A. I believe that's correct."

While Kelly does not recall what Mr. Howe told him in March of 1970, it is clear as to what Kelly did, and that was Mr. Howe's investigative work. Kelly's notes on those conferences were missing at the rehearing.

X. AGENT KELLY'S DECEPTION TAINTED THE PHYSICAL OR TESTIMONIAL EVIDENCE ADDUCED AT TRIAL.

The conference of May 24, 1970 between Agent Kelly, CPA Levine and Defendant never would have



taken place if deception had not been practiced. Kelly says there was a meeting in September, 1970 between Maul, Kelly and Simon Levin, and not in January, 1971. Mr. Levin's records for 1970 have been destroyed by IRS, and could be examined at the rehearing, notwithstanding the fact the Defendant under the Freedom of Information Act, 5 U.S.C. §554(a)(3)(b) made a demand to the United States Department of Justice, Tax Division, to see all tax data, records, information, June 22, 1979. All fees were paid. There is no excuse for this destruction of records under the circumstances. It further tainted this case.

In his investigation after the Simon Levin conference Kelly must have learned of the corporate U.S. Government Bonds which Defendant claims, when added to refinancing proceeds, equaled stock purchases. (Tr. 4-1-82; p. 117, line 15 through 20):

"Q. My question is now you do remember that there were bonds, Government bonds that were three percent or something like that?

"A. Yes, I recall something. I believe that there



were some bonds involved. As to the nature and to the extent of them, I don't recall it."

But until now, Kelly never told the court he knew of the bonds, which explains most of the sources of the stock purchases and would have cleared Defendant.

Mr. Kelly also obtained information, fully tainted, as portrayed in the following answers to the following questions. (Tr. 4-1-82; p. 126, line 16 through p. 128, line 2). Physical evidence became fully tainted. Wholly-owned corporations obtained refinancing funds. (Tr. 4-1-82; p. 55, lines 19 through 25). Mr. Kelly stated that there was approximately \$147,000 available to buy stock from the refinancing. (Tr. 4-1-82; p. 56, line 13 through 19). The Court was apparently for the first time in this case advised that the two properties, namely the Prospect Heights building and the Shoreland Manor building, had been assigned to Defendant personally. Thus, no taxes were due on any stock purchases.

The Defendant personally made the mortgage and the money was available to him personally.



Mr. Kelly testified this had presented a confusing situation to him. (Tr. 4-1-82; p. 160, line 8 through 24). Mr. Kelly said he was faced with a "dilemma. It might be legal or it might be illegal." The Giddings & Lewis sale that had been made in 1965 involved only \$14.18 capital loss. The sale of Giddings & Lewis stock, for the sum of \$178,000, took place in 1967. (Tr. 4-1-82; p. 63, line 6 through 18). It was not 1968, in the years involved in this case. (Tr. 4-1-82; p. 63, line 19 through 21).

Mr. Kelly conceded that if Defendant made a mortgage and spent the money that he got from the mortgage there was no tax due on the money. (Tr. 4-1-82; p. 67, line 1, 2, 3):

"Q. In other words I made a mortgage and spend the money I get from the mortgage, there's no tax due on that is there?

"A. No. I would say no at this point."

Following the meeting with Mr. Simone Levine, Supervisor Maul told Mr. Kelly to "trace the actual stock purchases, where did funds originate to pay





for stock," and suggested getting the loose ends above tied up in Exhibit 6. He said after that was done Mr. Maul and Mr. Kelly could visit Defendant and ask for explanations. The answer received would determine whether there was to be a referral. Mr. Kelly interpreted this as "determining as to the facts relating to the facts on the Gisholt stock." In answer to questions, the following was stated (Tr. 4-1-82;p. 72, line 23 to p. 73, line 8):

"Q. Okay. So if the funds came from the property, it was possible to assume that wherever the money was invested that that investment belonged to the property, is that correct?

"A. To the corporations that owned the property.

"Q. Yes, okay. Now the minutes which you referred to concerning the right to act for the corporation and buy stock for the corporation including stock that was to be bought, the Gisholt which became Giddings and Lewis was in--was prepared or obtained by you so that you could put it in your file, is that right?

"A. That is correct."

Mr. Kelly conceded that Defendant personally kept no records whatsoever. Furthermore Defendant acted legally.

Then followed these astonishing questions of Ke-



lly and answers. (Tr. 4-1-82; p. 96, line 25 through p. 97, line 1 through 17):

"Q. Now it was clear too then that if I had the power to act on behalf of the corporation, that the minutes also gave me the right to put the stock in my own name?

"A. That is correct.

"Q. Okay. You talked about that with Mr. Levin?

"A. Yes, we pointed that out to him.

Mr. Kelly was so anxious to get a conviction because of the tremendous number of hours he had wasted on the investigation that he withheld from the Court information helpful to the Defendant.

"Q. (of Mr. Kelly) Now with reference to the stock purchases then, you went back and saw that there were statements that were made out to Shoreland Manor, for example, by the brokers with reference to -- I will go further -- International Products, which became Ogden?

"A. There were other concessions entered into by the corporations.

"Q. Now when you had the stock purchases that were made prior to '68 you knew, did you not, that the minutes had to be made out prior to '68, because the stock purchases were in the names of the corporations, isn't that right?

"A. No, that's not correct. Because I didn't receive that information with respect to the corpor-



ations brokerage accounts until after September of 1970.

"Q. I agree, you saw it after September. But why didn't you call it to the attention of Mr. Levin, and why didn't you call it to the attention of anybody when you saw that there was actual proof that the minutes had been supplemented by action?

"A. I didn't think that it was relevant that those -- when I referred the case, then the case became that of the Intelligence Division.

Obviously, withholding the truth at the trial prohibited Defendant from examining Kelly's records which are now missing. The referral for prosecution statement was fraudulent, seriously affecting constitutional rights.

#### XI. LAW ON SUBJECT OF WRIT OF CORAM NOBIS.

The law on the subject of Coram Nobis, pursuant to All Writs of the Section of the Judicial Code 28 U.S.C., §1651(a), provides that "courts have a solemn duty to ferret the allegations for symptoms of constitutional infirmities..." this Court stated in his Decision of September 22, 1981.

It is interesting that not until the Court considered permitting evidence to be adduced that evi-



dence relied upon at the trial may have been obtained in violation of the Fourth and Fifth Amendments rights that IRS Revenue Agent Kelly came forward with his affidavit stating that he had discussed the case with IRS Intelligence Agent Levin.

In the instant case, a Writ of Coram Nobis should issue because all the vital evidence would have safeguarded Fourth and Fifth Amendment rights, as well as for the reason that the movant was be innocent. Moon v. United States, 272 Fed. 2d 530, 532 (D.C. Cir. 1959) and People v. Calero, 258 N.Y.S. 2d 207 (1965).

The prime interest in the Federal Courts for the Writ of Error Coram Nobis has come about as a result of increased concern for the due process requirements of the United States Constitution. In 1935, the United States Supreme Court, in Mooney v. Holohan, 294, U.S. 103, 74 L.Ed. 791, 55 Sct. 340 (1935), held that to insure due process to a person convicted of a crime some method must be made available to that person to enable





him to attack his conviction on the grounds of due process after the time for taking appeal or other relief had passed. In Mooney v. Holohan, supra, the Court held that a conviction that did not afford the accused due process would not be sustained merely because no other remedy was available to the accused to vindicate his rights. The Supreme Court found that the Writ of Error Coram Nobis corresponded to the type of relief they contemplated a need for in Mooney v. Holohan, supra, and the said Writ was employed for this purpose.

Subsequently, in 1954, the United States Supreme Court, in United States v. Morgan, 346 U.S. 502, 98 L.Ed. 248, 74 S.Ct. 247 (1954), held that "The All Writs" section of the Judicial Code, 28 U.S.C. §1651(a) conferred on the federal courts specifically the power to employ a Writ of Corma Nobis.

The Supreme Court also held, in Morgan, supra, that the use of Coram Nobis in federal courts was not precluded by the Habeus Corpus provisions of the judicial code. This is in contradication to



the assertion made by the Government in its brief that the nature of the Coram Nobis remedy parallels that of Habeus Corpus.

While not on the subject of Coram Nobis, in the case of U.S.A. v. Roosevelt Oliver, an appeal from the U.S. District Court for the Eastern District of Wisconsin, designated as Case No. 73-1699 in the Court of Appeals for the Seventh Circuit [decided October 31, 1974] certain portions are pertinent. Oliver was indicted for understating his gross income from trafficking in narcotics. Oliver was questioned by IRS Intelligence Agents without being given a warning as required by Miranda (384 U.S. 436) and Dickerson (413 Fed. 2d 1111):

"...prescribed warnings are required if the defendant is in custody or otherwise deprived of his freedom of action in any significant way." ...

The Oliver, supra, case says:

"...the test serves the purpose of determining when the necessary process has begun, when the investigative machinery of the government is directed toward the ultimate conviction of a particular individual, and when therefore the suspect should be advised of his rights."



In the Dickerson, supra, case:

"...the commencement of controversy proceedings began not by taking him into custody, but by the IRS assigning the matter to the Intelligence Division, it had commenced the preparation of its criminal case." ...

The Oliver, supra, case further held:

"As we emphasized in Dickerson, one purpose of the Miranda warnings is to make sure that the defendant does not misapprehend the nature of his obligation to respond to the revenue agents' inquiries. In this case, the warnings did not include that he could have a lawyer present during the interview. Under these circumstances we believe Miranda requires us to treat his disclosures as though they were compelled during the course of an adversary proceeding, and therefore inadmissible at this criminal trial." ...

XII. KELLY STOPPED AT NOTHING TO CONVICT DEFENDANT ALTHOUGH DEFENDANT HAD DONE NOTHING WRONG.

After conferring with IRS Intelligence Group Manager Howe, followed by the now admitted and proven conference with IRS Special Intelligence Group Manager Simon Levin, Kelly proceeded to contact Defendant's CPAs' Levine and Gilman. Following guidelines suggested by Intelligence Agent Levine from September, 1970 to June, 1971, Kelly spent 88 hours in September; 40 hours in November;



.126 hours in December (all in 1970); in 1971 he spent in January, 117 hours; February, 80 hours; April, 32 hours; June, 131 hours; total 709 hours. (Government Exhibit 24)

Throughout the investigation, IRS Intelligence collected newspaper clippings. Kelly denied collecting any articles pertaining to Defendant (tr. 6-14-76; p. 52, line 17, 18, 19); but in his referral report Kelly refers constantly to matters which could only have been obtained from newspaper articles. It is safe to assume that the clippings provided the data which is in Kelly's referral report. The clippings, from September, 1970 to June, 1971, are dated as follows: November 3, November 4, November 5, November 17, November 18, November 21; December 17, December 19, (all in 1970); January 5, and April 29, 1971. (Government Exhibit 27)

Defendant's constitutional rights were violated when judged by the Roosevelt Oliver standards applied to an IRS audit.





XIII. THE NEED FOR INQUIRY INTO PROSECUTORIAL  
SUPPRESSION AND IMPROPRIETY IS CRITICAL  
IN THE INTEREST OF JUSTICE.

Judge Friendly perhaps stated it most succinctly in the landmark case of United States v. Keogh, 391 F. 2d 138, 147 (CA 2d 1967), when he wrote:

"Prosecutorial misconduct is presumably infrequent; to invalidate convictions in the few cases where this is proved, even on a fairly low showing of materiality, will have a relatively small impact on the desired finality of judgments and will deter conduct undermining the integrity of the judicial system."

The record is clear that at trial Kelly testified to the effect that after he discovered inconsistencies in the taxpayer's returns he called in the Intelligence area of the Internal Revenue Service to determine criminal issues. This "story" began to change as he testified at disciplinary hearing brought against taxpayer by the Treasury Department. Therein, Kelly testified that he had several meetings with agents of the Intelligence area prior to his referral. That Judge informed him that was not the way it was suppose to work; he reconstructed his testimony.



Attempts to get the diaries of Kelly and the other agents were blocked by the prosecutor and the Internal Revenue Service, although the Trial Court's previous order directed all information of this nature be examined.

The Courts of this country have applied various tests in determining when it is necessary to order a new trial due to prosecutorial impropriety. Convictions must be set aside if there is "any reasonable likelihood" that the false testimony could have affected the judgment. Mooney v. Holohan, supra. The standard to be applied is based on the three-tiered formula found in United States v. Agurs, 427 U.S. 97, 96 S.Ct. 2392, 49 L.Ed. 2n 342 (1976).

It is obvious that a finding of such impropriety would, in most instances, favor dismissal or a new trial if the interests of justice are to be served. U.S. v. Keogh, supra.

In Judge Wood's Order of August 4, 1981, he specifically stated:



"Therefore, the government is directed to be prepared to produce the above named IRS personnel, together with all relevant records for examination by the court and parties on an early date to be determined."

During the trial it is significant that the prosecution refused to produce all relevant records, as requested. Was the Court justified in denying the production of such records?

#### XIV. CONCLUSION

Defendant respectfully requests that upon all the records, exhibits and testimony in the instant case Defendant has produced sufficient evidence to warrant that a Writ of Error Coram Nobis be issued pursuant to the Judicial Code 28 U.S.C. §1651(a). A new trial could be granted. The judgment should be vacated on all three counts under the circumstances. There is no basis for prosecution; no credible witnesses, no criminal intent.

In examination of the Trial Court's opinion, namely, his Memorandum Order signed March 17, 1983, insofar as any evidence of wrongdoing on



the part of taxpayer is concerned references is made to a transaction which occurred in 1967. The years of the indictment did not include the year 1967. As a matter of fact, the one stock known as the "Gisholt" or "giddings and Lewis" stock, was bought from a stockbroker in the name of a corporation and sold in the name of said corporation. The Trial Court now said "...It can be seen that there are some inconsistencies in the government's evidence..." This finding appears to be an understatement, since Special Agent Levin testified directly against the testimony of Agent Kelly, and Agent Kelly now has no testimony whatsoever to support his version. Kelly in fact has been totally discredited by his words, his conduct, and his admission stated in his affidavit.

The IRS never claimed there was a deliberate understatement of income, and no attempt was ever made to proceed on the basis of a net worth. The reason is clear. The three returns, in fact, overstated the net income and there was no





evidence of understating.

On page 15 of the Memorandum Order, the Court says Agent Kelly..."never did find a badge of fraud....:

The Court in his opinion stated on page 14:

"This view of the evidence and its consequences does not result in approval of the conduct of IRS personnel in avoiding their own rules. If IRS is to scrutinize the most personal affairs of citizens, it should be able to withstand scrutiny itself. The conduct of IRS, no matter how well intentioned it may have been in the pursuit of possible wrongdoing, was, to say the least, very disappointing under any version of the evidence."

"All we have left in this case at this point is still just a technical violation of the administrative guidelines of IRS, but a more serious technical violation than was originally known to this court."

The fact is no money whatsoever was taken out and hidden. The books reflected every asset and this so-called "false return case" was so weak that at the original trial the defense counsel didn't interpose any defense; he moved for acquittal.

The new evidence covered every aspect of the case, and there was nothing left in the case revealing any wrongdoing. The U.S. Assistant Attorney further filed with the Clerk's office certain files



which were then open to the public. When the Defendant attempted to look at these records, the Trial Judge proceeded to examine them in camera, and ordered them returned to the U.S. Attorney without permitting defense to examine. This ruling was prejudicial. Certainly, Judge Wood is an honorable man, but even the worthiest of people can be misled.

On page 16 of the Memorandum Decision, the Court remarked that the hearing came close to a retrial of the entire case.

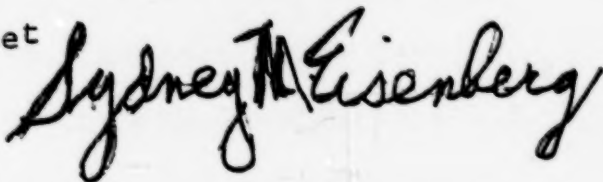
We submit that the rehearing proves Defendant guilty of no wrongdoing.

Dated at Milwaukee, Wisconsin May 11, 1984.

P.O. ADDRESS:

Respectfully submitted,

1131 West State Street  
Milwaukee, WI 53233  
Tel: (414) 271-0931

A handwritten signature in black ink, reading "Sydney M. Eisenberg". The signature is written in a cursive, flowing style with a large, prominent "S" and "E".

SYDNEY M. EISENBERG, PRO SE  
Petitioner



OPINIONS IN CASE  
UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF WISCONSIN

UNITED STATES OF AMERICA, Plaintiff, v. SYDNEY M. EISENBERG, Defendant	}	Dated: Mar. 17, 1983.  No. 75-CR-136
--	---	--

MEMORANDUM ORDER

Mr. Eisenberg filed a motion for a new trial on June 2, 1980 based on allegations of newly discovered evidence. That was about two years after his conviction had been affirmed by the United States Court of Appeals, Seventh Circuit, and the mandate had issued. After a hearing, that motion was denied as untimely in a Memorandum Order on August 4, 1981. It further appeared, in any event, that the evidence relied upon in support of the motion did not qualify as newly discovered. However, so much of Mr. Eisenberg's untimely motion as raised a question about Revenue Agent Terrence Kelly's contacts with the IRS Intelligence Division prior to referral was excepted from the denial. At the court's suggestion on December 22, 1981 in a modification of its



previous order, this remaining segment of the motion was pursued as a motion for coram nobis relief as that procedure would be outside the time fetters of Rule 33 of the Federal Rules of Criminal Procedure. An evidentiary hearing was ordered. Approximately a week of testimony and arguments was heard in an extensive examination of this issue. Mr. Eisenberg, a trial lawyer of broad experience, insisted upon proceeding pro se, although he had been represented by counsel at trial. There can be little left to add to the record in this case.

The genesis of this remaining issue occurred just prior to the bench trial in 1976. Agent Kelly, the case agent, testified at a suppression hearing concerning two telephone contacts he had with Group Agent Howe of the Intelligence Division, the first on March 25 and the second on July 8, 1970, both prior to the referral to Intelligence. After considering that testimony the court denied the motion to suppress on the basis that the





contents of the two brief telephone conversations were inadequate to demonstrate that Agent Kelly and Intelligence had secretly transformed his civil audit into a criminal investigation under the direction of the Intelligence Division without advising Mr. Eisenberg of the change in its character.

The issue, however, was resurrected after the trial and during the time Mr. Eisenberg's new trial motion was pending. The government filed an affidavit by Agent Kelly substantially enlarging his prior testimony. Agent Kelly, by the affidavit, revealed for the first time that in addition to the two brief telephone contacts that he and his unnamed group manager also had discussed with an unnamed special agent of the Criminal Investigation Division at an unspecified time a "hypothetical set of facts" developed during the civil investigation which related to Mr. Eisenberg. The purpose of that meeting, it was explained in the affidavit, was to ascertain what "affirmative factors" would con-



stitute a firm indication of fraud in the particular circumstances. It was further stated that at no time during that Civil-Intelligence discussion was Mr. Eisenberg's name disclosed. That late disclosure raised numerous questions reflecting upon Agent Kelly's credibility and the civil-criminal internal IRS relationship as it was brought to bear upon Mr. Eisenberg. Those questions prompted this court to direct the government to produce the pertinent witnesses and documents. The United States Attorney's office has fully assisted in the endeavor to resolve this coram nobis hearing, Agent Kelly explained that it was at that point in the suppression hearing that he intended to bring to the court's attention the additional Intelligence contact. Since part of the focus of the suppression hearing was on those contacts, Agent Kelly, if what he claims now is true, should have indicated again to the court that his response was still incomplete, or he should have advised the Assistant United States Attorneys trying the case that he needed to return to the stand to clarify his responses



on an important matter. He did neither.<sup>1</sup> /  
There is no suggestion in the record that the United States Attorney's Office was aware of the third contact prior to January, 1981 and the filing of Agent Kelly's affidavit. Had the court or any of the attorneys sensed that there might be a critical omission in Mr. Kelly's testimony, this time-consuming subsequent hearing six years later could have been avoided. The facts are now much more difficult to determine with confidence. Nevertheless, that factual determination has to be undertaken.

During the time of the audit activities in question, the agents were to be guided by the then current "Audit Technique Handbook for Internal Revenue Agents" That manual clearly restricted cooperation between revenue agents and special agents during the civil audit prior to referral to Intelligence. The manual in general provided that the revenue agent should not discuss the taxpayer's case with Intelligence



1/ The government argues that defendant's attack on the integrity of Agent Kelly is ironic since it was Agent Kelly who precipitated this issue by advising the Assistant United States Attorney in January, 1981 that the "hypothetical meeting" had occurred. Agent Kelly, it is said, did so in order to "lay our cards on the table." Those cards, as they are called, should have been shown at the suppression hearing.

prior to referral. There was no exception for contacts between a revenue agent and an intelligence agency on a so-called hypothetical basis or otherwise. The government finds some solace in the fact that at least the manual contained no express prohibition of "hypothetical" contacts. However, "hypothetical" contacts were plainly prohibited by the all-inclusive prohibition. The agents evaded the provisions of their own manual as some citizens do their income taxes. Only the factual nature and extent of that violation remains to be determined before coram nobis law is applied. Some additional background review is needed.

On September 5, 1975 the defendant, Sydney M. Eisenberg was indicted on three counts of





willfully making and subscribing a false individual income tax return for the years 1968, 1969, and 1970 in violation of Title 26, U.S.C. § 7206(1). Prior to trial, the defendant moved to suppress all books and records reviewed by Agent Kelly from 1969 to 1972. During a pretrial hearing on the Motion to Suppress, Agent Kelly testified that prior to his referral of the Eisenberg case to the Intelligence Division of the IRS, he had two conversations with a group manager in the Intelligence Division who was inquiring about the status of the case. The group manager involved, Charles H. Howe, testified at the suppression hearing that when he became a group manager in January, 1970, there was an open "case development" file on Sydney Eisenberg, Special Agent Howe testified that in accordance with routine procedure, he requested the tax returns of Mr. Eisenberg. In response to his request, Special Agent Howe was advised that the tax returns were assigned to the Audit Division.



Special Agent Howe also testified that he then contacted the Audit Division, found out that Agent Kelly was assigned to the case, and inquired of Agent Kelly on two occasions, March 25 and July 8, 1970, as to the status of the case. Special Agent Howe further testified that after the second conversation with Agent Kelly, he closed the case development file in the Intelligence Division. This is supported by Government Exhibit No. 27, Special Agent Howe's Memorandum. Following the pretrial hearing on the Motion to Suppress, the court denied the defendant's motion, ruling that although the pre-referral conversations between Agent Kelly and Special Agent Howe may have been a technical violation of the administrative regulations, there was no prejudicial collusion involved.

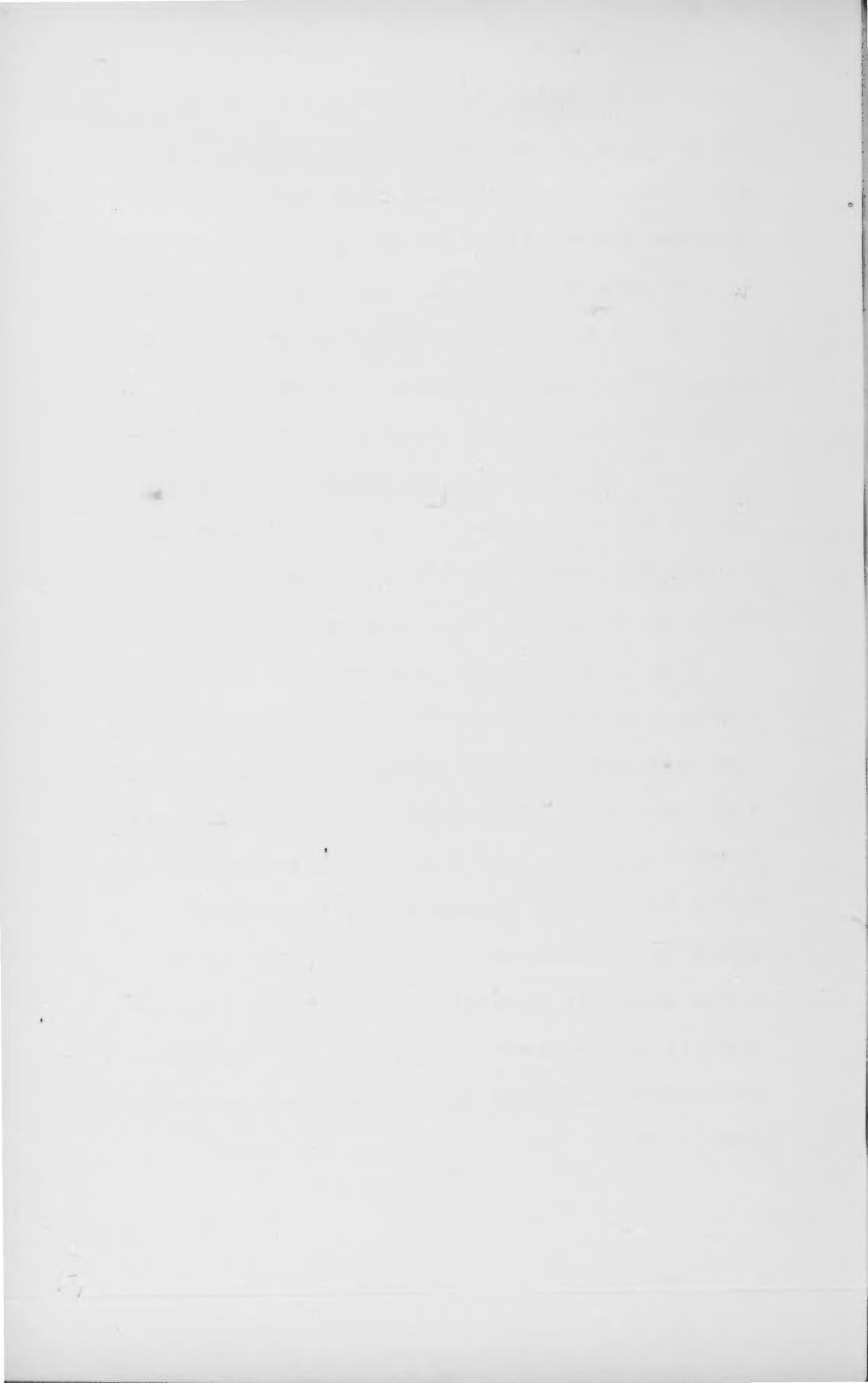
Following a bench trial, Mr. Eisenberg was found guilty as charged on all three counts. The defendant's post-trial motions were denied on December 10, 1976. The conviction was then affirmed by the United States



Court of Appeals, Seventh Circuit, in an unpublished order, 567 F.2d 391, and certiorari and rehearing were denied by the Supreme Court, 435 U.S. 995 and 436 U.S. 951.

On June 2, 1980, Mr. Eisenberg filed his motion for a new trial based on his claim of newly discovered evidence. On January 16, 1981, the government filed a brief in opposition to that motion. Appended to the government's brief was the affidavit of Agent Kelly in which he revealed the additional contact which gave rise to this proceeding.

The court in 1982 then held an exhaustive hearing on the nature and significance of the pre-referral contacts including in particular the previously unrevealed third contact that Agent Kelly had with the Intelligence Division. Agent Kelly, his former group supervisor, Agent Maul, Criminal Intelligence Division group managers Special Agent Charles Howe and Special Agent Simon Levin, and Mr. Eisenberg's accountants, Edward Gillman and Burton Levine, testified.



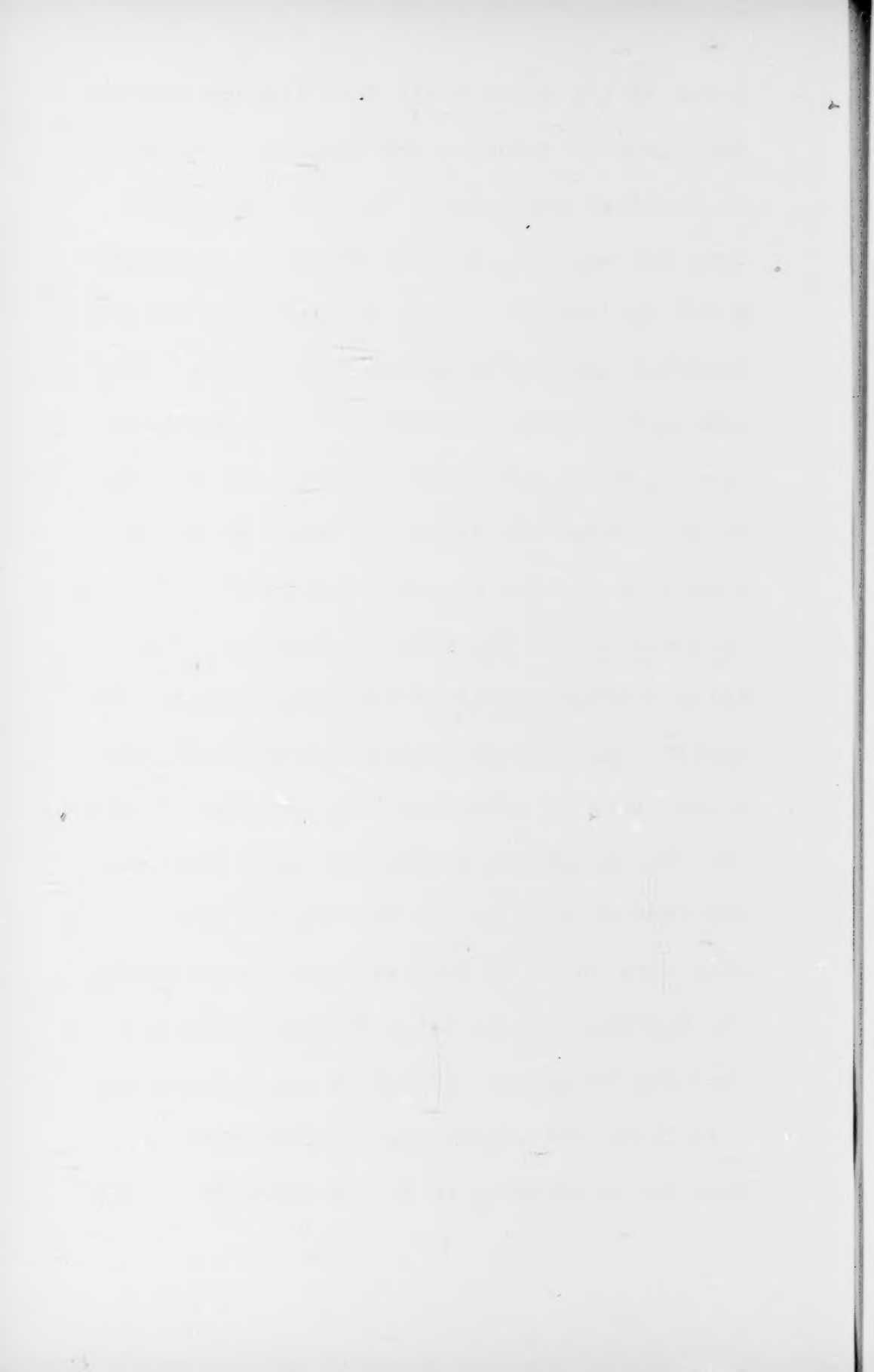
Agent Kelly testified that in addition to the two conversations he had with Special Agent Howe, there was also a third contact, a pre-referral meeting attended by Agent Kelly, Agent Fred Maul (Kelly's supervisor at the time and now retired), and Simon Levin (a group manager from the Intelligence Division and also now retired). Based upon his review of his work papers, Agent Kelly testified that the meeting occurred on or about September 21, 1970. Agent Kelly testified that other than the two telephone conversations with Howe and the meeting with Agent Maul and Special Agent Levin, there was no other pre-referral contact with the Intelligence Division.

Agent Kelly explained that the meeting was held in order to obtain some clarification of the significance of a complicated stock transaction of Mr. Eisenberg. Government Exhibits 6 and 7, the original longhand notes of Agents Kelly and Maul respectively prepared at the time, bear out the narrow





focus of the joint Civil-Intelligence session. The stock in question was Gisholt, also known as Giddings and Lewis. In 1967, Mr. Eisenberg had sold the Gisholt stock and realized a \$73,000 profit, it was claimed, but had not reported the profit on his 1967 return. The complexity arose, according to the testimony, because there were contradictory indications as to whether the stock was owned by Mr. Eisenberg or whether it was owned by corporations in which he was the sole shareholder. Agent Kelly further testified that the meeting with Special Agent Levin lasted approximately one hours, that it concerned only the Gisholt stock, that Mr. Eisenberg's name was never mentioned, and that no work papers bearing Mr. Eisenberg's name were shown to Special Agent Levin during the meeting. Agent Kelly further explained that the consensus reached at the meeting was that there was insufficient information to draw any conclusion as to the ownership of the



Gisholt stock. Agent Kelly also testified that Special Agent Levin did not give any directions or suggestions as to how the civil audit was to be conducted nor was any understanding reached with Special Agent Levin regarding subsequent meetings.

Agent Kelly testified that after the meeting with Special Agent Levin, the audit of Mr. Eisenberg continued. According to Agent Kelly, during the balance of the civil audit, little or no progress was made on the Gisholt issue, but other items which he considered suspicious were discovered in Mr. Eisenberg's books and records. On May 24, 1971, Agent Kelly interviewed Mr. Eisenberg, and because Mr. Eisenberg was unable to satisfactorily explain the suspicious items to his satisfaction, Agent Kelly referred the case to the Intelligence Division. In his testimony, Agent Kelly, also expressed the opinion that the meeting with Special Agent Levin did not, in any way, affect the manner or direction of



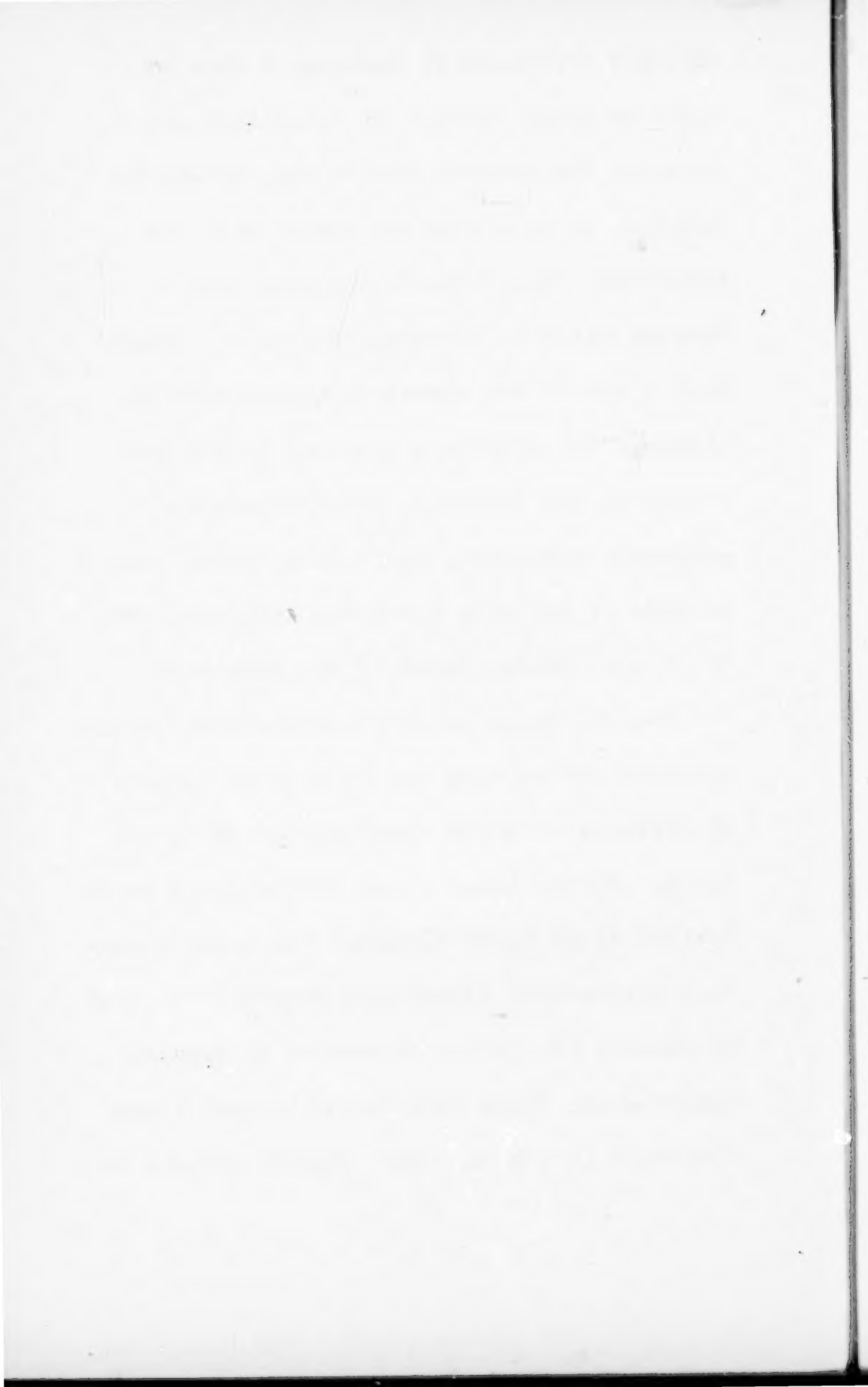
his continuing audit of Eisenberg.

Agent Maul testified that he had no recollection of any meeting that he and Agent Kelly may have had with Special Agent Levin in 1970 or 1971. Agent Maul testified, however, that during the course of his career in the IRS, he did, on one or two occasions, have meetings with Intelligence personnel in which cases were discussed on a hypothetical basis. Agent Maul further testified that the purpose of such meetings was to ascertain whether a "badge of fraud" had been uncovered in a particular audit. Although Agent Maul had no recollection of the hypothetical meeting in the Eisenberg case, he testified that in such a hypothetical meeting, he would not, under any circumstances, have revealed the name of the taxpayer nor would he have shown the Intelligence Division person any documents or books revealing the name of the taxpayer. Agent Maul also testified that if,



during a hypothetical meeting, a Special Agent or group manager in Intelligence had rendered the opinion that a case should be referred to Intelligence, Agent Maul, as a supervisor, would not have authorized a Revenue Agent to continue the audit. Agent Maul's memory was remarkably unpersuasive. Although Mr. Eisenberg was well known generally in the community and had receive extensive publicity, Agent Howe had no recollection of anything about the Eisenberg case or of even having heard of Mr. Eisenberg.

Special Agent Levin's recollection of the hypothetical meeting was in several respect[s], at variance with the recollection of Agent Kelly. First, based on an office diary entry, Special Agent Levin rendered the opinion that the hypothetical discussion probably occurred on January 15, 1971. According to Special Agent Levin, there were two principal items discussed at the meeting: checks charged to





interest expense at the end of the year which were not used in payment of interest for quite a number of months, and some possibly fraudulent stock transactions. Special Agent Levin further testified that he advised Agents Maul and Kelly that the case potentially involved fraud and should be referred to Intelligence for joint investigation. Special Agent Levin also believed that Mr. Eisenberg's name may have been mentioned at the end of the meeting. Special Agent Levin did not recall any specific requests made of him by Agents Maul or Kelly. In addition, Special Agent Levin testified that following that conversation, he did not in any way monitor the progress of the civil audit and was of the opinion that he had no other pre-referral contact with Agents Kelly and Maul regarding the Eisenberg case. Special Agent Levin further testified that in the course of his employment as a Special Agent and a group supervisor in Intelligence,



hypothetical discussions with Revenue Agents or group managers in the Audit Division occurred as a "normal routine thing," but that the taxpayer's name was sometimes mentioned in such a discussion.

Special Agent Charles Howe testified that the only two pre-referral contacts he had with anyone in the Audit Division regarding the Eisenberg case were the conversations in March, 1970, and July, 1970, which he had testified to during the pretrial hearing.

Special Agent Howe further testified that during the course of those two conversations, Agent Kelly did not ask for any direction from Special Agent Howe as to how the audit should be conducted nor did Special Agent Howe volunteer any suggestions as to how the audit should be conducted. That testimony is not open to question.

From those factual highlights, it can be seen that there are some inconsistencies in the government's evidence, which after eleven

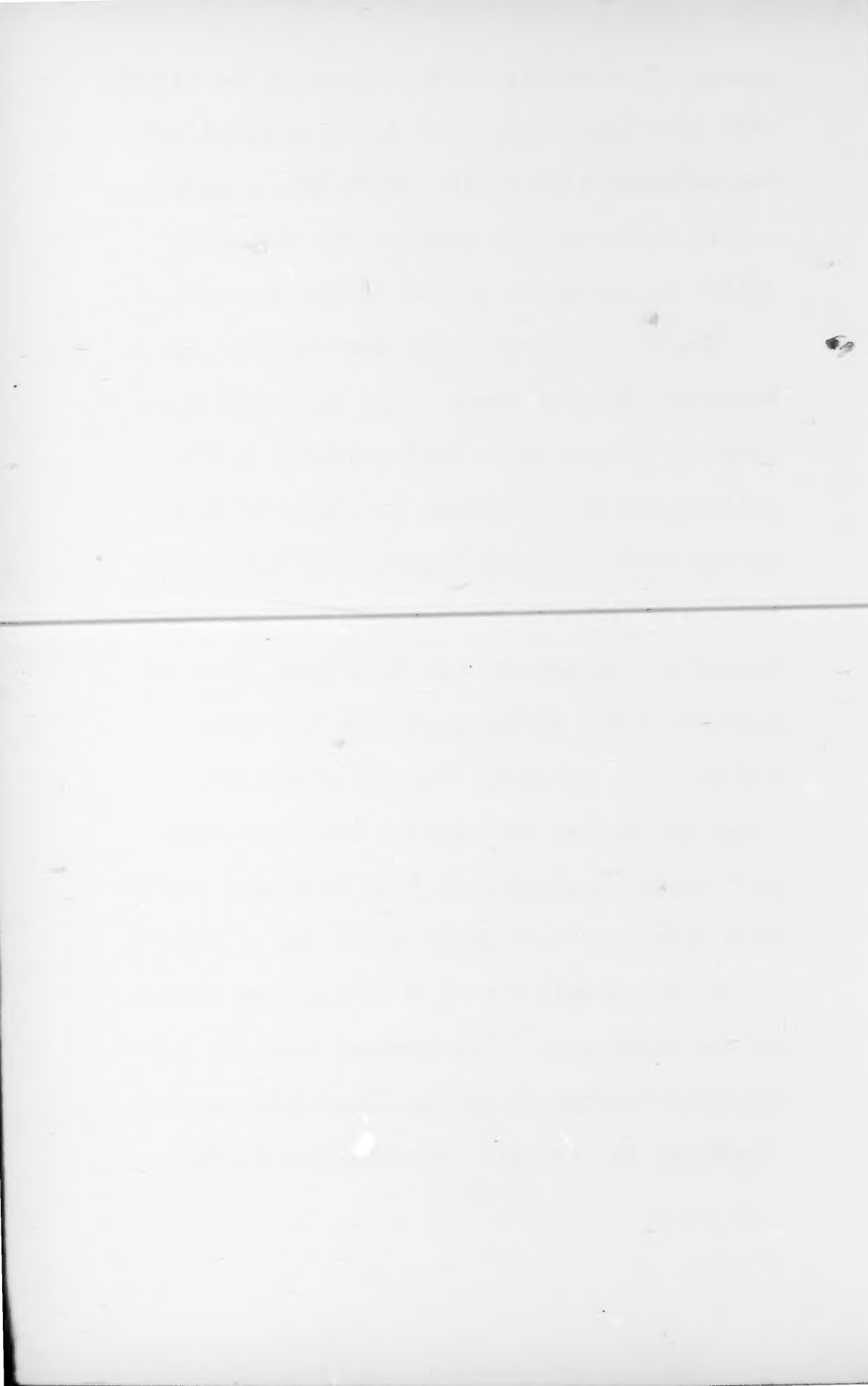


years is not surprising. Special Agent Levin was of the opinion that his meeting with Agents Kelly and Maul was not concerned solely with hypothetical matters as Mr. Eisenberg's name was probably mentioned. Special Agent Levin also differed as to what was discussed. According to his recollection, stock transactions and manipulation of interest expense were discussed in contrast to Agent Kelly's testimony that only Gisholt stock was discussed. Special Agent Levin also differed with Agent Kelly as to whether the case was ready for referral at that time. Special Agent Levin was a convincing, responsive witness, but contrasted with the other testimony and fortified by the exhibits the court finds that the events were as testified to by Agent Kelly, the most knowledgeable witness about the details of the Eisenberg case. Special Agent Levin's knowledge of additional items may be attributed to knowledge of the case after the matter was referred to Intelli-



gence. This choice is made despite the reflection upon Agent Kelly for delay in revealing the controversial contact with Intelligence, and in spite of some possibility that Agent Kelly was biased in defending his own conduct.

The choice between the testimony of Agent Kelly and Special Agent Levin is not critical however. There is no hint anywhere in the evidence of actual fraud, trickery or deceit by any of the revenue agents involved. Under the plain language of the prohibitions contained in the manual then in effect, even if mention of Mr. Eisenberg's name had been scrupulously avoided, that would not have cured the manual violation. The "hypothetical" approach claimed to have been used was no more than a subterfuge to avoid the restrictions, but possibly with a little less strain on the conscience. The limited scope of the subjects touched on at the Civil-Intelligence [session] is also not critical, nor is the



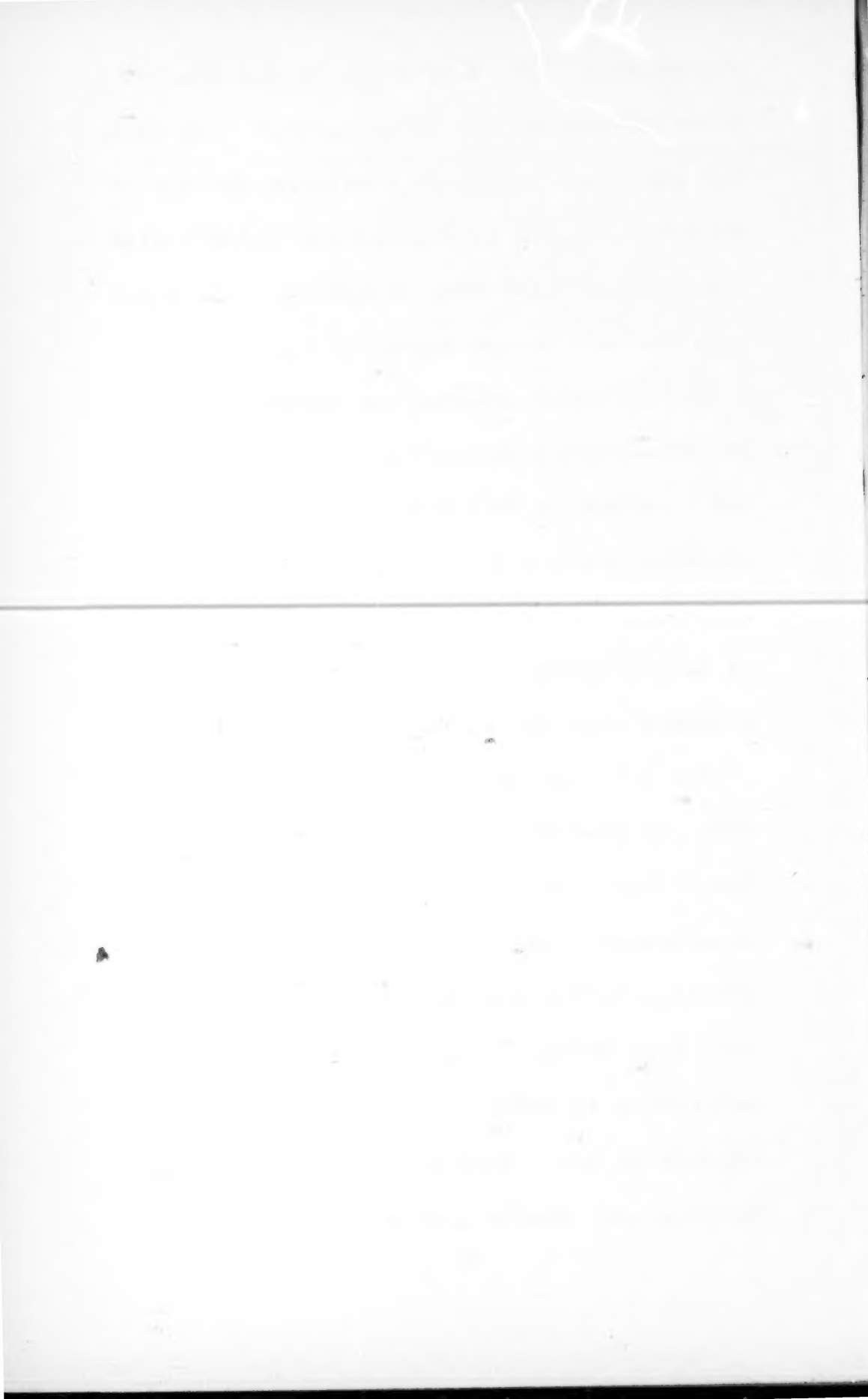


question about when the case was ready for referral. Even looking at the evidence and resolving its conflicts as might appear to be most favorable to Mr. Eisenberg, the questionable conduct of the agents in not by itself of such character as to undermine the conviction.

There is no indication that Intelligence secretly entered the investigation to trick or mislead Mr. Eisenberg into revealing incriminating evidence not otherwise available to the revenue agent. Much of the evidence, as for example, the corporate books and records, were subject to compulsory process. Agent Kelly made no actual misrepresentations to Mr. Eisenberg to gain any admissions or obtain otherwise unavailable evidence. Agent Kelly continued with his investigation, but with only some possible minor peripheral help that may have come out of the Intelligence meeting. That meeting produced nothing of



consequence. Mr. Eisenberg, to his credit, never obstructed the investigation. He made his employees and books available and always appeared willing to discuss his affairs with the revenue agent when necessary. His attitude did not change significantly even after a special agent entered the investigation. Mr. Eisenberg's cooperation continued. He has continually maintained his innocence claiming there was nothing to hide. If Mr. Eisenberg had had notice of the involvement of Intelligence, and would as a result [sic] withheld some bit of significant evidence, it has not been made known what that evidence was. No prejudice to Mr. Eisenberg can be identified. In any event, Mr. Eisenberg, an experienced trial lawyer, then licensed to practice before the IRS, cannot claim to not have been aware of the risk involved while undergoing an audit, whether a special agent appears or not. Even an ordinary, average taxpayer not knowledgeable in these tax



matters is considered to have some elementary understanding of the possible consequence of a civil audit.

A "routine" tax investigation openly commenced as such is devoid of stealth or deceit because the ordinary taxpayer surely knows that there is inherent in it a warning that the government's agent will pursue evidence of misreporting without regard to the shadowy line between avoidance and evasion, mistake and willful omission.

. . . .

Moreover it is unrealistic to suggest that the government could or should keep a taxpayer advised as to the direction in which its necessarily fluctuating investigations lead. The burden on the government would be impossible to discharge in fact, and would serve no useful purpose.

United States v. Sclafani, 265, F. 2d 408 (2d Cir.), cert. denied, 360 U.S. 918 (1959).

This view of the evidence and its consequences does not result in approval of the conduct of IRS personnel in avoiding their own rules. If IRS is to scrutinize the most personal affairs of citizens, it should be



able to withstand scrutiny itself. The conduct of IRS, no matter how well intentioned it may have been in the pursuit of possible wrongdoing, was, to say the least, very disappointing under any version of the evidence. It was not so unworthy, however, in its adverse effect upon Mr. Eisenberg's trial that it serves to undermine the bench trial verdict.

All we have left in this case at this point is still just a technical violation of the administrative guidelines of IRS, but a more serious technical violation than was originally known to this court. That violation, however, is not enough. In United States v. Mapp, 561 F.2d 685, 690 (7th Cir. 1977), it was held that the IRS rules, being for the internal administration of the service and not for the protection of the taxpayer, confer no rights on the taxpayer. This particular issue will not be expected to arise under the present IRS guidelines as they now





permit limited Civil-Intelligence contact for specific advice on a "type of case," although not referred to as a hypothetical discussion. That does not necessarily constitute collusion to deceive the taxpayer.

Nor do the circumstances suggest that there was improper delay in referral from Civil to Intelligence. As soon as a revenue agent discovers "firm indications" of fraud, meaning more than a suspicion, the civil examination is to be suspended without explanation to the taxpayer and the matter referred to Intelligence. The regulations however, permit the revenue agent to perfect the "indications of fraud" and to develop them sufficiently to form the basis for a sound referral. This obviously allows for a good bit of good faith discretion on the part of the revenue agent. Unless the revenue agent abuses that discretion, courts are reluctant to second-guess the agent. United States v. Meier,



607 F. 2d 215, 217 (8th Cir. 1979), cert. denied, 445 U.S. 966 (1980). The burden was on Mr. Eisenberg to show that any undue delay in referral was deliberately done for an improper purpose, to his prejudice. United States v. Tweel, 550 F.2d 297, 299 (5th Cir. 1977). There was no abuse of discretion on Agent Kelly's part in completing his investigation so as to be able to supply Intelligence with sufficient information to permit an informed decision on whether or not to pursue the case as a criminal investigation. United States v. Mapp, 561 F.2d at 690. Mr. Eisenberg's financial affairs were complex and involved, and required considerable work to determine if there was a deliberate understatement of income.

Agent Kelly testified that in the Gisholt refinancing transaction, the subject of the third Civil-Intelligence meeting, he never did find a "badge of fraud." Mr. Eisenberg, who



defends that transaction, cannot consistently claim that Agent Kelly should have early recognized firm indications of fraud. An early and undeveloped referral to Intelligence would not have aided Mr. Eisenberg. It would merely have more fully informed Intelligence about Mr. Eisenberg's financial activities, and likely resulted in the matter being referred back to Agent Kelly for further work. When, at the end of the civil audit, Mr. Eisenberg failed, in the view of IRS, to give satisfactory explanations for the various items developed at trial, the case was properly referred to Intelligence.

There is no clear and convincing evidence that there was a "sneaky, deliberate deception by the agent," constituting a flagrant disregard by the agent of the taxpayer's rights, as contrasted with the situation in United States v. Tweel, 550 F. 2d at 299.

The factual circumstances in Mr. Eisenberg's case do not justify an examination of the



numerous suppression or Miranda warning cases arising from a multitude of circumstances.

This remaining remnant of Mr. Eisenberg's case has revolved around the question of whether or not the unrevealed violation of the IRS guidelines by the agents constituted a fraud upon the court so as to render Mr. Eisenberg's conviction invalid. As explained in United States v. Scherer, 673 F. 2d 176, 178 (7th Cir. 1982), coram nobis relief is not available for every error discovered after judgment. It is, rather, an "extraordinary remedy" reserved to correct errors of the most fundamental character that render the proceeding irregular and invalid. It is generally presumed that proceedings resulting in a conviction are correct. Mr. Eisenberg bears the burden of demonstrating that "the asserted error is jurisdictional or constitutional, [and] involves an error of law

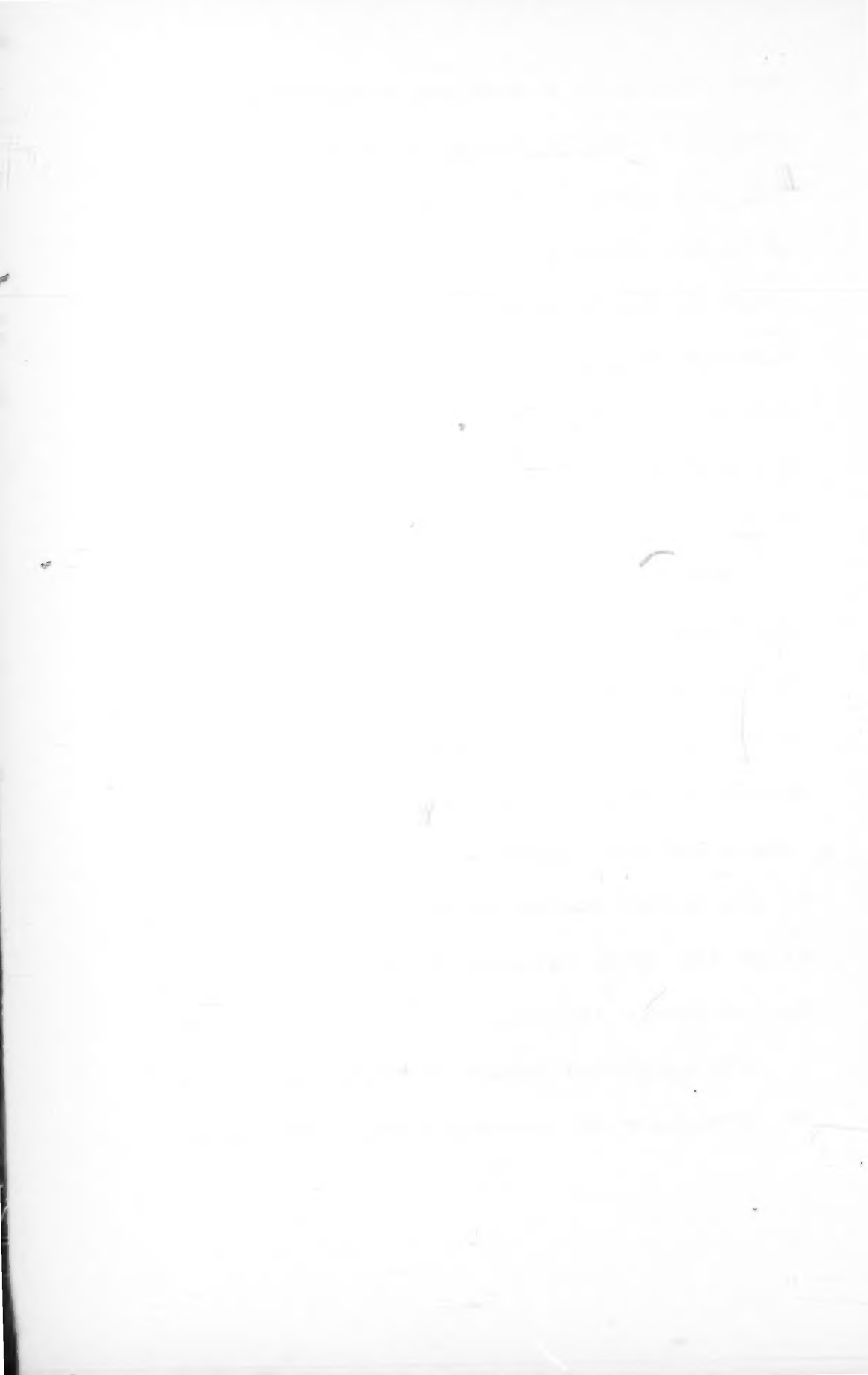




that results in a complete miscarriage of justice." United States v. Morgan, 346 U.S. 502, 512 (1954). This has not been accomplished by Mr. Eisenberg in spite of the irregularities in the internal handling by the IRS. Although this extended hearing came close to a retrial of the entire case, nothing can be found which justifies disturbing the trial verdict.

Certain files were recently discovered in the Clerk's Office, and a controversy arose as to whether they were court records available to Mr. Eisenberg or office files of the United States Attorney. They have been examined in camera and are determined to be office files of the United States Attorney. Therefore, the files are being returned directly to the United States Attorney.

All remaining issues are resolved against Mr. Eisenberg and the application for coram



nobis is denied

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 1983.

/s/

---

Harlington Wood, Jr.  
United States Circuit Judge  
sitting as United States  
District Judge by designation



UNITES STATES COURT OF APPEALS  
For the Seventh Circuit  
Chicago, Illinois 60604  
ARGUED: NOVEMBER 3, 1983  
November 28, 1983

Before

Hon. WALTER J. CUMMINGS, Chief Judge  
Hon. RICHARD D. CUDAHY, Circuit Judge  
Hon. ROBERT J. KELLEHER, Senior Dis-  
trict Judge\*

UNITED STATES OF AMERICA,	Appeal from the
Plaintiff-Appellee,	United States
No. 83-1560 vs.	District Court
SIDNEY M. EISENBERG,	for the Eastern
Defendant-Appellant.	District of Wis-
	consin.

75 CR 136  
Harlington Wood,  
Jr., Judge.

O R D E R

The judgment of the district court is here-  
by AFFIRMED for the reasons stated in the dis-  
trict court's memorandum order of March 17, 1983.  
A copy of the district court's order which we  
adopt is attached hereto as the Appendix.

\* The Honorable Robert J. Kelleher, Senior Dis-  
trict Judge of the Central District of California,  
is sitting by designation.



United States Court of Appeals  
For the Seventh Circuit  
Chicago, Illinois 60604  
(CORRECTED: Feb. 23, 1984)  
February 15, 1984

Before

Hon. WALTER J. CUMMINGS, Chief Judge  
Hon. RICHARD D. CUDAHY, Circuit Judge  
Hon. ROBERT J. KELLEHER, Sr. District  
Judge\*

United States of America,	) Appeal from
Plaintiff-Appellee	) the United
No. 83-1560	) District
vs.	) Court for
SIDNEY M. EISENBERG	) the East.
Defendant-Appellant)	Distr. of
	Wisconsin
	75 CR 136
	Harlington Wood, Jr., <u>Judge</u>

ORDER

On consideration of the petition for rehear-  
and suggestion for rehearing en banc filed in  
the above-entitled cause by defendant-appellant  
Sidney M. Eisenberg, no judge in active serv-  
ice\*\* has requested a vote thereon, and all of  
the judges on the original panel have voted to  
deny a rehearing. Accordingly,

IT IS ORDERED that the aforesaid petition  
for rehearing be, and the same is hereby,  
DENIED.

\*The Hon. Robert J. Kelleher, Sr. Distr. Judge  
of the Central District of California, is sit-  
ting by designation.

\*\*The Hon. Harlington Wood, Jr., Circuit Judge,  
did not participate in the consideration or  
decision of this petition for rehearing en  
banc





OFFICE OF THE CLERK  
SUPREME COURT OF THE UNITED STATES  
WASHINGTON, D.C. 20543

March 29, 1984

Mr. Sydney M. Eisenberg  
1131 West State Street  
Milwaukee, WI 53233

Re: Sydney M. Eisenberg v. United  
States No. A-778

Dear Mr. Eisenberg:

Your application for an extension of time within which to file a petition for a writ of certiorari in the above-entitled case has been presented to Justice Stevens, who on March 28, 1984, signed an order extending your time to and including May 15, 1984.

A copy of the Justice's Order is enclosed.

Very truly yours,

Alexander L. Stevas, Clerk

By: /s/

Katherine Downs  
Assistant Clerk

gtb  
Enc.

cc(letter only): Hon. Rex E. Lee, Solic. Gen.  
Clerk, U.S. Court of Appeals  
for the Seventh Circuit  
(your No. 83-1560)

No. 83-1999

Office - Supreme Court, U.S.

FILED

DEC 14 1984

ALEXANDER L. STEVAS,

CLERK

**In the Supreme Court of the United States**

OCTOBER TERM, 1984

SYDNEY M. EISENBERG, PETITIONER

v.

UNITED STATES OF AMERICA

*ON PETITION FOR A WRIT OF CERTIORARI TO  
THE UNITED STATES COURT OF APPEALS FOR  
THE SEVENTH CIRCUIT*

**BRIEF FOR THE UNITED STATES IN OPPOSITION**

REX E. LEE

*Solicitor General*

GLENN L. ARCHER, JR.

*Assistant Attorney General*

ROBERT E. LINDSAY

GEORGE L. HASTINGS, JR.

*Attorneys*

*Department of Justice*

*Washington, D.C. 20530*

*(202) 633-2217*

### **QUESTION PRESENTED**

Whether the courts below properly denied petitioner's motion for post-trial relief from his conviction for filing fraudulent income tax returns, based on the factual determination that the government had not illegally obtained evidence by deception of petitioner as he contended.

(1)



## TABLE OF CONTENTS

	Page
Opinions below .....	1
Jurisdiction .....	1
Statement .....	2
Argument .....	6
Conclusion .....	9

## TABLE OF AUTHORITIES

### Cases:

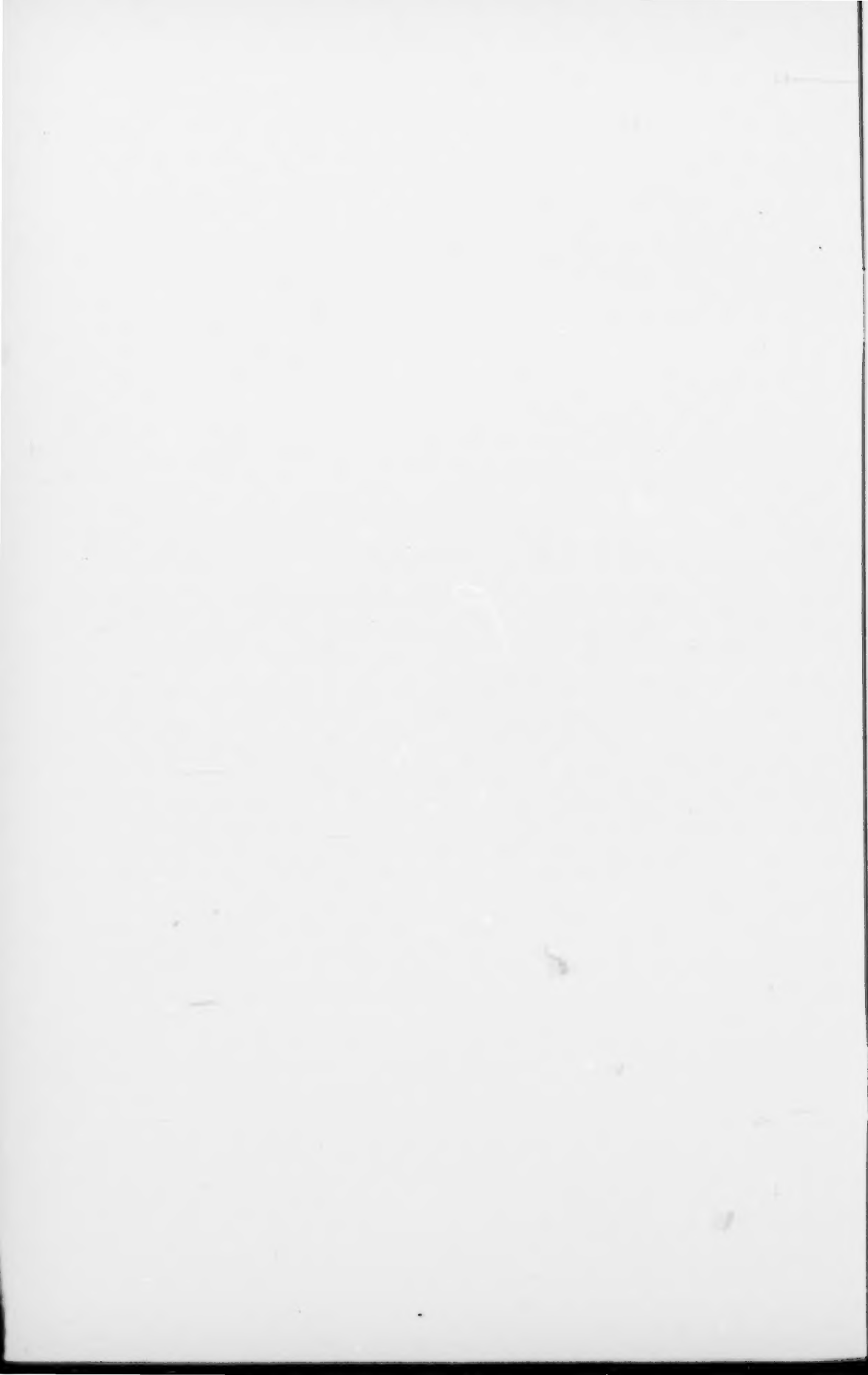
<i>United States v. Addonizio</i> , 442 U.S. 178 .....	1
<i>United States v. Allen</i> , 522 F.2d 1229, cert. denied, 423 U.S. 1072 .....	7
<i>United States v. Caceres</i> , 440 U.S. 741 .....	7
<i>United States v. Morgan</i> , 346 U.S. 502 .....	6
<i>United States v. Tweel</i> , 550 F.2d 297 .....	7

### Constitution and statute:

U.S. Const. Amend. IV .....	7
26 U.S.C. 7206(1) .....	2

### Miscellaneous:

[2 Audit] Internal Revenue Manual (CCH) (1969) .....	7, 8
---	------



# **In the Supreme Court of the United States**

OCTOBER TERM, 1984

---

No. 83-1999

SYDNEY M. EISENBERG, PETITIONER

v.

UNITED STATES OF AMERICA

---

*ON PETITION FOR A WRIT OF CERTIORARI TO  
THE UNITED STATES COURT OF APPEALS FOR  
THE SEVENTH CIRCUIT*

---

**BRIEF FOR THE UNITED STATES IN OPPOSITION**

---

## **OPINIONS BELOW**

The judgment order of the court of appeals (Pet. App. 96) is not officially reported. The memorandum orders of the district court (C.A. App. 5-21, 23-27; Pet. App. 68-95) are not officially reported.

## **JURISDICTION**

The judgment of the court of appeals was entered on November 28, 1983. A petition for rehearing was denied on February 15, 1984 (Pet. App. 97). On March 28, 1984, Justice Stevens extended the time within which to petition for a writ of certiorari to and including May 15, 1984, and the petition was filed on that date. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

## STATEMENT

Following a bench trial in 1976 in the United States District Court for the Eastern District of Wisconsin, petitioner was convicted of willfully filing fraudulent income tax returns for 1968-1970, in violation of 26 U.S.C. 7206(1). He was fined a total of \$7,000 on the three counts (C.A. App. 6). Four years later, he filed a motion for a new trial. The district court denied the motion in large part as untimely (C.A. App. 5-22). The district court treated one allegation thereof as presenting a request for coram nobis relief, but, after conducting an evidentiary hearing, found no grounds for granting relief (Pet. App. 68-95). The court of appeals affirmed on the basis of the district court's opinion.

Petitioner, a trial lawyer, was indicted on September 5, 1975 (C.A. App. 5). Prior to trial, a hearing was held on his motion to suppress certain evidence acquired from him by IRS Agent Kelly. Kelly was a member of the IRS Audit Division, which handles routine tax audits. Kelly conducted the initial examination of petitioner's tax returns; he eventually concluded that he had discovered evidence of fraud on petitioner's part and at that point referred the case to the IRS Intelligence Division, which handles cases with indications of possible criminal activity.<sup>1</sup> Petitioner contended that Kelly had obtained evidence from him, before making the formal referral to the Intelligence Division, under the guise of conducting a routine tax audit, when in fact the Intelligence Division was already interested in the case and was allegedly intending to bring criminal tax charges. Petitioner contended that the evidence should be suppressed because it had been obtained from him by deceit.

---

<sup>1</sup>The Audit Division of the IRS is now called the Examination Division, and the Intelligence Division is now called the Criminal Investigation Division.



At the suppression hearing, Kelly testified that he had had two brief telephone conversations with Special Agent Howe, a member of the Intelligence Division, before formally referring the case for criminal investigation. Kelly explained that Howe had called him to make a routine inquiry about the status of the case, that Howe had not become involved in the case in any way, and that Howe had not given him any direction or advice about the investigation.<sup>2</sup> After considering this testimony, the district court denied petitioner's motion to suppress, ruling that, although the phone conversations might have been a technical violation of IRS internal administrative rules, which generally proscribe contacts between Audit and Intelligence Division personnel during a routine civil audit, there had been no prejudicial collusion or deception of petitioner in any way (Pet. App. 69-70, 74-75). Petitioner was tried to the court and convicted as charged in June 1976. His conviction was affirmed (567 F.2d 391 (7th Cir. 1977)), and this Court denied certiorari (435 U.S. 995 (1978)).

On June 2, 1980, petitioner moved for a new trial on the ground of newly discovered evidence. Because that motion was filed more than two years after the affirmance of his conviction, the district court denied the motion as untimely

---

<sup>2</sup>Howe also testified at the suppression hearing to explain why he had made this inquiry of Kelly. Upon becoming a group manager in the Intelligence Division in January 1970, Howe had discovered an open "case development" file on petitioner. Howe explained that the Intelligence Division routinely seeks to develop potential fraud cases on its own, and that local media publicity about state bar disciplinary proceedings against petitioner had apparently prompted Intelligence Division personnel to check into his tax liability. Following routine procedure, Howe thereupon requested petitioner's tax returns, only to discover that they were already under examination by the Audit Division. Howe then called Kelly, ascertained the status of the case, and closed down the Intelligence Division's case development file (Pet. App. 69, 74-75).

(C.A. App. 5-22). Attached to the government's response to the motion, however, was an affidavit of Agent Kelly (C.A. App. 3-4) setting forth additional information about Kelly's contacts with the Intelligence Division during the early stages of the tax investigation. The district court viewed this information as creating a possible ground for issuing a writ of error coram nobis — relief that would not be barred by the two-year time limit on new trial motions — and held a five-day evidentiary hearing to explore that possibility (Pet. App. 68-70; C.A. App. 22-27).

At the coram nobis hearing, Kelly testified that, besides his two brief telephone contacts with Special Agent Howe, he and his group manager on one occasion had met with Special Agent Levin, another member of the Intelligence Division, and discussed a "hypothetical set of facts" based on petitioner's case without revealing petitioner's name (Pet. App. 70). The meeting was held, Kelly explained, in order to obtain advice as to the significance of a complicated stock transaction that petitioner had undertaken. The consensus reached at the meeting was that further information was necessary in order to draw any conclusion as to the significance of the stock transaction (*id.* at 78-79). Kelly further testified that Levin offered no directions or suggestions as to how the audit should be conducted and had no further contact with the audit until the case was formally referred to the Intelligence Division some months later. That referral was not based on the stock transaction but rather on other indications of fraud subsequently discovered in petitioner's records (*id.* at 79).

Kelly also explained at the coram nobis hearing why the fact of his meeting with Levin had not come to light before. Kelly referred to a point in the transcript of the pre-trial suppression hearing at which the district court, in the course of questioning Kelly about his telephone contacts with Special Agent Howe, had touched upon the issue of his contacts

with the Intelligence Division generally. At that point, Kelly had inquired, "Can I excuse — may I ask a question?" But the court pursued its previous line of inquiry, affording Kelly no distinct opportunity to ask his question. It was at that point, Kelly said, that he intended to bring his meeting with Levin to the court's attention. Kelly did not mention the matter again, and did not inform the government attorneys of his meeting with Levin until the time of petitioner's post-trial motion. Pet. App. 71-72.<sup>3</sup>

The two other IRS officials who attended the meeting with Kelly also testified at the coram nobis hearing. Kelly's group manager, while his memory was less than clear, supported Kelly's testimony.<sup>4</sup> Special Agent Levin, while his version differed from Kelly's as to a few particulars,<sup>5</sup> confirmed Kelly's description of the purpose and subject of the meeting, and confirmed that Levin did not thereafter have anything to do with Kelly's continuing civil audit (Pet. App. 81-83).

---

<sup>3</sup>Several sentences from the portion of the district court's opinion dealing with this issue are omitted from petitioner's appendix. See Pet. App. 71. The full version appears in the appendix that petitioner filed in the court of appeals (at 3-4).

<sup>4</sup>The group manager, Fred Maul, had no specific recollection of the meeting. But he testified that, on the rare occasions when he and one of his agents would meet with a special agent to obtain advice on a "hypothetical case" basis, the name of the taxpayer would not be revealed. If the special agent expressed the opinion that the case should be referred to the Intelligence Division, Maul said, he would not permit his agent to continue the audit (Pet. App. 80-81).

<sup>5</sup>Levin believed that a second factual issue (besides the stock transaction issue) had been discussed, and that at the end of the meeting petitioner's name might have been used. The district court concluded that Kelly's version of the meeting was probably more accurate, but noted that its holding would be the same regardless of whose version were adopted. Pet. App. 83-86.

After reviewing this evidence at length, the district court found no reason to disturb petitioner's conviction (Pet. App. 83-94). The court determined (as it had done in the original suppression hearing) that the consultation between the Audit and Intelligence Divisions constituted a minor technical violation of internal IRS administrative guidelines. But the court found "no hint anywhere in the evidence" (Pet. App. 85) that the government had obtained information from petitioner by misrepresenting the nature of the investigation or by any other form of trickery or deceit. The court thus declined to grant petitioner *coram nobis* relief. The court of appeals affirmed in an unpublished order on the basis of the district court's opinion (Pet. App. 96).

#### ARGUMENT

Although petitioner presents nine overlapping questions for review, his central thesis is that his conviction should be set aside because Agent Kelly allegedly obtained from him by deception or trickery evidence later used against him at trial. This purely factual question was exhaustively considered by the district court in both the pre-trial and *coram nobis* proceedings, and it correctly concluded that no such improper government conduct had occurred. The court of appeals has twice concurred in that conclusion, and there is no basis for further review.

*Coram nobis* relief is an "extraordinary remedy." *United States v. Morgan*, 346 U.S. 502, 511 (1954). Such relief is appropriate only where a defendant demonstrates that his conviction was the product of "errors of fact \* \* \* of the most fundamental character, that is, such as rendered the proceeding itself irregular and invalid." *United States v. Addonizio*, 442 U.S. 178, 186 (1979).

In this case, petitioner contends that his conviction was tainted by the use of evidence obtained from him in violation of the Fourth Amendment. The courts on a few occasions have held on direct appeal that, where government personnel intentionally misrepresent the nature of a tax investigation, evidence obtained as a result of such misrepresentation may be subject to suppression. *E.g.*, *United States v. Tweel*, 550 F.2d 297 (5th Cir. 1977). See also *United States v. Allen*, 522 F.2d 1229, 1233 (6th Cir. 1975), cert. denied, 423 U.S. 1072 (1976). Petitioner, however, failed to convince either court below that any such misrepresentation occurred here. Indeed, the district court found “no hint anywhere in the evidence of any actual fraud, trickery or deceit” (Pet. App. 85), nor any indication that the IRS Intelligence Division had “secretly entered the investigation to trick or mislead [petitioner] into revealing incriminating evidence” (*id.* at 86). The district court did conclude that, since IRS internal guidelines at that time directed that an Audit Division agent “should not discuss the taxpayer’s case with Intelligence prior to submission of the referral report,” a technical violation of those guidelines took place.<sup>6</sup> But the court correctly recognized (Pet. App. 85-86, 89) that the IRS Manual confers no rights on taxpayers and that such a technical violation would not of itself permit the suppression of evidence, much less justify the granting of extraordinary coram nobis relief. See, *e.g.*, *United States v. Caceres*, 440 U.S. 741 (1979).

---

<sup>6</sup>See [2 Audit] Internal Revenue Manual (CCH) (Audit Technique Handbook) para. (10)91(7) (1969); C.A. App. 2. As the district court noted (Pet. App. 89-90), the Manual has since been revised to make it clear that routine, limited contacts between the Examination and the Criminal Investigation Divisions — *e.g.*, contacts for advice concerning a “type of case” — are permissible. The Manual, in other words, now specifically allows contacts substantially similar to those involved here.

Nor is there any merit to petitioner's related claim (see Pet. 19, 32) that Agent Kelly himself undertook an unauthorized criminal investigation and that he should have transferred the case to the Intelligence Division earlier. Provisions of the IRS Manual then in effect directed that a civil examiner refer a case to the Intelligence Division only after he had discovered "firm indications of fraud." [2 Audit] Internal Revenue Manual (CCH) (Audit Technique Handbook) para. (10)91(2) (1969); C.A. App. 3. The district court correctly concluded that Kelly had no firm indication of fraud on petitioner's part prior to the meeting with Levin; indeed, the consensus of that meeting was that further information was needed before one could properly evaluate a hypothetical transaction of the type petitioner engaged in (Pet. App. 78-79). As it turned out, Kelly never did find any firm evidence of fraud concerning that transaction, and he eventually based his referral to the Intelligence Division on other evidence of fraud subsequently discovered (*id.* at 79, 91).

Finally, the district court correctly noted that, regardless of what the IRS agents might have said to petitioner, he would almost certainly not have been "deceived" in any event. Petitioner was an experienced trial lawyer, licensed at that time to practice before the IRS, and he was never ignorant of the potential criminal consequences of the tax investigation. To this date, petitioner has not specified what evidence, assertedly turned over to Agent Kelly during the initial stage of the audit, he would have withheld had he suspected Intelligence Division involvement at that time. Indeed, the district court found that petitioner continued his practice of ready cooperation with the IRS even after Intelligence Division personnel actually did become involved upon formal referral of the case (Pet. App. 87).



**CONCLUSION**

The petition for a writ of certiorari should be denied.  
Respectfully submitted.

REX E. LEE

*Solicitor General*

GLENN L. ARCHER, JR.

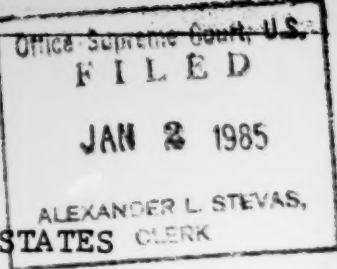
*Assistant Attorney General*

ROBERT E. LINDSAY

GEORGE L. HASTINGS, JR.

*Attorneys*

DECEMBER 1984



SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1984

---

SYDNEY M. EISENBERG, Petitioner,

vs.

CASE NO. 83-1999

UNITED STATES OF AMERICA, Respondent

---

ON PETITION FOR WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS FOR THE  
SEVENTH CIRCUIT

---

REPLY BRIEF FOR SYDNEY M. EISENBERG  
PETITIONER

---

A P P E N D I X

---

SYDNEY M. EISENBERG  
PETITIONER, PRO SE

1131 West State Street  
Milwaukee, Wisconsin 53233  
414/271-0931



# TABLE OF CONTENTS

	PAGE
DOCUMENT PRODUCTION PROCEEDING(2-18-82) 1A- JANUARY 15th, 1971 of of Simon Levin .....	- 16 17
LETTER Dated March 10, 1982 from Joel R. Levin on destruction of documents .....	18
LETTER by Dale F. Rothe indicating documents located --no other diaries for years .... prior to 1973	19
LETTER Pertient information from Federal Records Center Dated February 2, 1982 (E.E.Lieb) ..	20
REFERENCE REQUEST of S.M. Eisenberg for Federal Records under Freedom of Information Act .....	21
LETTER Dated February 19, 1982 from Joel R. Levin-one page excerpt .....	22
MEMO on meeting between Simon, Maul and Kelly .....	23



EDITOR'S NOTE

PAGES 1A thru 23 WERE POOR  
HARD COPY AT THE TIME OF FILMING.  
IF AND WHEN A BETTER COPY CAN BE  
OBTAINED, A NEW FICHE WILL BE  
ISSUED.



RONALD L BONK REPORTING COMPANY

UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF WISCONSIN

UNITED STATES OF AMERICA,

Plaintiff,

-vs-

Case No. 73-CR-138

SYDNEY M. EISENBERG,

Defendant.

February 18, 1982

Document production proceeding had in  
the entitled cause at the offices of the United States  
Attorney, 517 East Wisconsin Avenue, Milwaukee, Wisconsin,  
pursuant to court order.

**A P P E A R A N C E S:**

Mr. Joel R. Levin, and  
Mr. Robert J. Lankowski,  
United States Attorney's Office,  
517 East Wisconsin Avenue,  
Milwaukee, Wisconsin 53202,  
appeared on behalf of the Plaintiff,

Mr. Sydney M. Eisenberg,  
1131 West State Street,  
Milwaukee, Wisconsin 53233,  
appeared pro se.

1A



1 TRANSCRIPT OF PROCEEDINGS

2 JOEL R. LEVIN was duly sworn under oath to  
3 tell the truth, the whole truth and nothing but the  
4 truth.

5 MR. LEVIN: For the record now we are here in  
6 the proceeding of the United States of America versus  
7 Sydney M. Eisenberg, and the purpose of this meeting is  
8 for the Government to turn over to Mr. Eisenberg  
9 documents relative to the hearing on his motion for a  
10 petition for a writ of error coram nobis. I have in  
11 front of me the documents which we believe are relevant  
12 to that pleading, and I have made a copy of these  
13 documents for Mr. Eisenberg which is contained in a  
14 folder here. I also have a copy for the court reporter  
15 which I would ask to be incorporated in the transcript.

16 I will now proceed to go through the documents  
17 one by one, and Mr. Eisenberg if he wishes can follow  
18 along to make sure that there is a copy of each of these  
19 documents in his folder.

20 The first document consists of the referral  
21 report for potential fraud cases on Sydney and Miriam  
22 Eisenberg. The second document consists of a memorandum  
23 of the May 24, 1971 interview of Sydney Eisenberg by  
24 Terrence Kelly which also—

25 MR. EISENBERG: What now?

L



1 MR. LEVIN: It is the memorandum of Sydney--  
2 memorandum of the interview of Sydney Eisenberg by  
3 Terry Kelly on May 24, 1971. This memorandum also  
4 contains the designation, Witness I-1 from the special  
5 agent's report.

6 The third document consists of a one-page  
7 document with five subjects listed on it, starting with  
8 sale of Gisholt Stock.

9 The fourth document is a two-page document  
10 dated May 24, '71, entitled "B. Levine and SUE."

11 The fifth document consists of six pages of  
12 schedules entitled "Outstanding Checks as of 12-31-65."  
13 The schedule is dated 4-1-71, and these six pages of  
14 schedules also have attached to them two pages of  
15 adding machine tapes.

16 The sixth document is a six-page document  
17 entitled "Parks Stock Sale."

18 The seventh document is a one-page document  
19 entitled "Terry: Eisenberg", and it is signed at the  
20 bottom by Fred.

21 MR. EISENBERG: Fred who?

22 MR. LEVIN: Fred who? I'm not here to  
23 testify. I'm here to turn the documents over.

24 MR. EISENBERG: You don't want to show it to  
25 me; is that it?

Page 10

The first part of the paper is devoted to a general discussion of the problem. It is shown that the problem is of great importance in the theory of the structure of matter. The second part is devoted to a detailed analysis of the problem. It is shown that the problem is of great importance in the theory of the structure of matter. The third part is devoted to a detailed analysis of the problem. It is shown that the problem is of great importance in the theory of the structure of matter. The fourth part is devoted to a detailed analysis of the problem. It is shown that the problem is of great importance in the theory of the structure of matter. The fifth part is devoted to a detailed analysis of the problem. It is shown that the problem is of great importance in the theory of the structure of matter. The sixth part is devoted to a detailed analysis of the problem. It is shown that the problem is of great importance in the theory of the structure of matter. The seventh part is devoted to a detailed analysis of the problem. It is shown that the problem is of great importance in the theory of the structure of matter. The eighth part is devoted to a detailed analysis of the problem. It is shown that the problem is of great importance in the theory of the structure of matter. The ninth part is devoted to a detailed analysis of the problem. It is shown that the problem is of great importance in the theory of the structure of matter. The tenth part is devoted to a detailed analysis of the problem. It is shown that the problem is of great importance in the theory of the structure of matter.

1 MR. LEVIN: The eighth document consists of  
2 a two-page document, "Consent of Stockholders of Prospect  
3 Heights Company".

4 The ninth document is a two-page document  
5 consisting of May 31, 1968 letter of B. H. Levine to  
6 Mr. Edward Gillman and attached schedule.

7 MR. EISENBERG: What number is that?

8 MR. LEVIN: That's the ninth document.

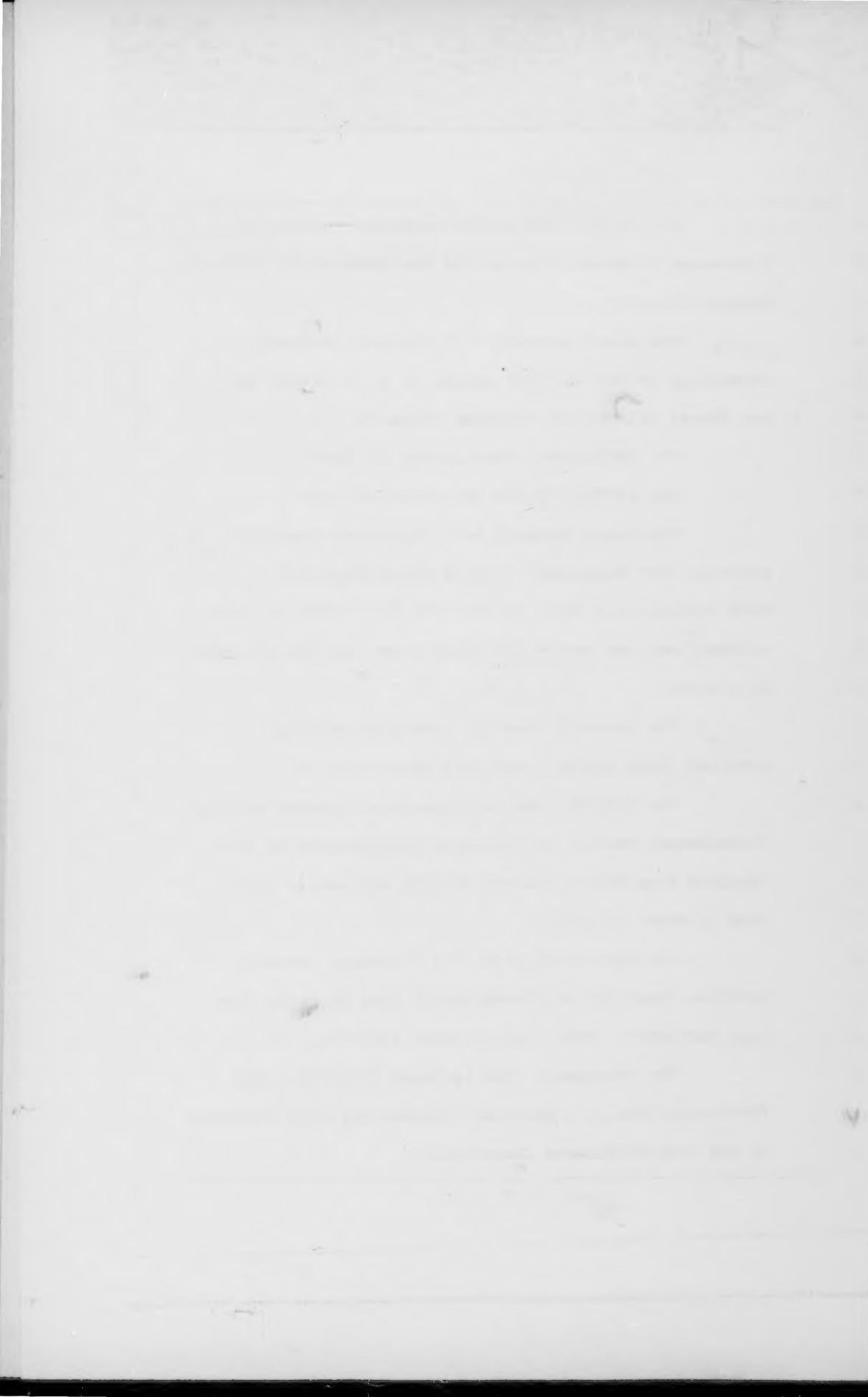
9 The tenth document is a three-page document  
10 entitled "SAM Eisenberg". It is dated 12-3-70  
11 with the initials "TPK" on it. The first page is hand-  
12 written, and the second and third pages consist of copies  
13 of checks.

14 The eleventh item is a one-page document  
15 entitled "1965 Return", and it's dated 9-21-70.

16 The twelfth item is a one-page document entitled  
17 "Information Wanted" in regard to distribution of funds  
18 received from Mutual Federal Savings and Loan. This  
19 item is dated 12-22-70.

20 The thirteenth item is a four-page schedule  
21 entitled "Analysis of Checks Issued from American City  
22 Bank for 1963". This item is dated 12-10-70.

23 The fourteenth item is dated 12-10-70. The  
24 fourteenth item is a one-page document entitled "Advances  
25 to and from Affiliated Corporation".



1 The fifteenth item is a one-page document  
2 entitled "Information Wanted" dated 11-20-70.

3 The sixteenth item is a one-page-- The  
4 sixteenth item I don't have in front of me now. I will  
5 get it. It's a one-page excerpt from the diary of Simon  
6 Levine for January 13, 1971.

7 MR. EISENBERG: Why don't you have it?

8 MR. LEVIN: I inadvertently left it out. I  
9 believe it was previously sent to you in the mail.

10 MR. EISENBERG: It was not.

11 MR. LEVIN: The seventeenth item consists of a  
12 three-page excerpt from the "Audit Technique Handbook  
13 for Internal Revenue Agents", and it includes as the  
14 first page of it a "Manual Transmittal" dated January 11,  
15 1969

16 The eighteenth item is the Intelligence  
17 Division organizational list for March 12, 1970.

18 The nineteenth item is the Intelligence Division  
19 organizational list for July 12, 1970.

20 The twentieth item is the Intelligence Division  
21 organizational list for September 8, 1970.

22 The twenty-first item is the Intelligence--

23 MR. EISENBERG: What date? I can't write that  
24 fast.

25 MR. LEVIN: Item 20 is the organizational list

P

1 for September 8, 1970. Item number--

2 MR. EISENBERG: Am I permitted to ask you about  
3 these or no? Before you indicated that you are not  
4 subject to questioning, so I don't know what you mean.  
5 Are you trying to warn me off or--

6 MR. LEVIN: I just-- This proceeding is for  
7 us to turn the documents over to you, and I just--

8 MR. EISENBERG: May I ask you about that?

9 MR. LEVIN: No. I don't plan to testify as  
10 to the documents. It's just-- We just plan to turn  
11 them over to you.

12 Item No. 21 consists of the Intelligence  
13 Division organizational list for January 11, 1971.

14 Item No. 22 is the Intelligence Division  
15 organizational list for April 30, 1971.

16 Item No. 23 is the Intelligence Division  
17 organizational list for July 1, 1971.

18 MR. EISENBERG: Can I see these things you're  
19 turning upside down? I don't know why you are doing  
20 all of this. You are not showing them to me.

21 MR. LEVIN: I have made a copy for all of  
22 these documents. The folder is in front of you. You  
23 are able to compare the copies that I made.

24 MR. EISENBERG: Why are you talking to her,  
25 not to me? You are not letting me question you or talk





1 to you. Do you want me to come back when you're done.  
2 I don't know why you got me here for this. What's the  
3 point.

4 MR. LEVIN: To continue the twenty-fourth  
5 item consists of 29 pages of notes entitled "Notes of  
6 T. Kelly Prepared During 1981 and 1982".

7 I should say for the record the copies made  
8 for Mr. Eisenberg and for the court reporter contain  
9 29 pages, and the reason for that is that one of the  
10 pages in the original has writing on both sides. So,  
11 therefore, an additional page is in the copies.

12 If we could go off the record for a minute,  
13 I'll go and get that item that was missing.

14 MR. EISENBERG: You haven't shown me anything  
15 anyway, so--

16 MR. LEVIN: Back on the record. I have returned  
17 to the room with Item No. 16 which consists of a one-  
18 page excerpt from the diary of Sam Levine for January 15,  
19 1971, and I am putting a copy of that into Mr. Eisenberg's  
20 folder as well as the court reporter's folder.

21 This concludes the production of documents as  
22 far as the Government is concerned. I have nothing  
23 further.

24 MR. EISENBERG: Well, I'm again going to say that  
25 it is my understanding that the court order provided as



1 to certain items that we had a right to go into. I  
2 think the Court listed five. Among them the Court  
3 stated "One, whether the nature and the extent of the  
4 alleged undisclosed contacts changed from a civil audit  
5 into a criminal investigation." I want all the contacts  
6 that Mr. Kelly had with anybody pertaining to me. I  
7 think that's what the Court provided. It's in plain  
8 English. I think that's what I am entitled to have.  
9 So I don't see anything that-- I mean, I haven't seen  
10 anything from you.

11 Counsel has just referred to a bunch of papers  
12 that he has which he hasn't shown me. He has refused  
13 to show me. He's got them in the folder, and I haven't  
14 seen it.

15 \* Number 2, if so and to what extent Agent Kelly  
16 continued the investigation after that point in time."  
17 There is no way I can tell since these papers are being  
18 kept from me I think improperly, and there are three  
19 other items which are in the order which I assume  
20 counsel should have read.

21 So since he won't give me any of these papers,  
22 I feel that there is nothing I can do about it. I'm not  
23 going to kick up a fuss. I made myself clear. Everybody  
24 is smiling. I'd just as soon keep them smiling, but I've  
25 got to get this information somewhere, and I don't know



1 how to get it other than legal procedure. So that's I  
2 guess what I'll have to do. Can I see these papers  
3 that you are talking about?

4 MR. LEVIN: The record should-- The record  
5 should reflect as I've stated before that the originals  
6 of these documents are being made available to  
7 Mr. Eisenberg at this moment, and a copy of all these  
8 documents have also been given to Mr. Eisenberg, and  
9 he will have an opportunity to now to compare the  
10 originals with the document copies if he so wishes.

11 MR. EISENBERG: My question is what's being  
12 withheld? I'm asking counsel now; I will ask him again.  
13 Will you let me see the records that you had what you  
14 were first going to show me, and then you decided not  
15 to show because what I had asked you made it impossible  
16 for you to give me, because I apparently--I don't know--  
17 I'm asking for more than I was entitled to, whatever?

18 I want to see the--these records as to every-  
19 body Kelly talked to, all the conferences that he had  
20 pertaining to my case with other people. How else am  
21 I going to know what he conjured up, how else am I going  
22 to know who talked to him.

23 I'll ask you this question, too. Who's Fred  
24 Maul? Is that me? You can't tell me?

25 MR. LEVIN: The record should reflect that



we've given Mr. Eisenberg-- We believe we've complied with the Judge's order, and as I stated before we have nothing further.

MR. EISENBERG: Well, you've referred to a Fred Maul. Is that he, or who is it? Is it an agent, or is this a secret? Do you refuse to tell me? Are you talking to me; you're silent.

MR. LEVIN: I'm not here, Mr. Eisenberg, to respond to your inquiries as to the documents. That is something that you will be able to pursue at the hearings in your cross-examination of the Government's witnesses. But as I indicated I am not here to testify. I'm merely here to produce the documents which the Government feels are relevant to the hearing.

MR. EISENBERG: Well, forgetting what the Government feels is relevant, what about what the Judge says is relevant? He wants me to have undisclosed contacts that Kelly had. Now, are you going to give me the contacts or not?

MR. LEVIN: Mr. Eisenberg, if you don't believe that the Government has complied with the Judge's order, you know you are, of course, to bring any motions that you choose to bring. But we believe that we have complied with the Judge's orders, and those documents consist of the relevant documents.





1 MR. EISENBERG: Are there other documents that  
2 you didn't bring?

3 MR. LEVIN: These are the relevant documents  
4 to the hearing on your petition for a writ of error  
5 coram nobis.

6 MR. EISENBERG: Are you of the opinion that we  
7 can't go to the inception of the case? In other words,  
8 I want to know who first put Kelly on my track in the  
9 manner that he was put on my track and with what  
10 instructions he had. I'm entitled to that. You yourself  
11 have to concede that as a lawyer forgetting that you--  
12 I don't know what role you are here. Are you a  
13 prosecutor? I didn't think-- I think you are a member  
14 of the U. S. Attorney's Office. I think that you are  
15 trying to be fair about it. That's what you should be  
16 at this point.

17 MR. LEVIN: All I can say is what I have said  
18 before; that is, we believe that we've complied with the  
19 Judge's order, and if you don't feel that--

20 MR. EISENBERG: Aren't there any documents that  
21 come ahead of the trial or ahead of whatever point you  
22 started here. You have other documents.

23 MR. LEVIN: As I've stated before I'm not here  
24 to testify. I'm merely here to turn these documents  
25 over.



1 MR. EISENBERG: I'm not asking you to testify.  
2 You weren't even in the case. How can I ask you to  
3 testify. I'm only asking you to give me the documents  
4 that the Court ordered, and the Court didn't say that  
5 it started at the point you're starting it. The Court  
6 said as I read it if I'm right on page 4 of his order  
7 of December 22, 1961. You are aware of that order;  
8 aren't you, or aren't you, or don't you want to say  
9 that you are aware of it?

10 MR. LEVIN: I would prefer not to discuss  
11 anything at this point other than what the purpose of  
12 this hearing is. And I've said repeatedly now that the  
13 purpose is merely to turn over these documents to you.

14 MR. EISENBERG: Which documents?

15 MR. LEVIN: The documents relevant to the up-  
16 coming hearing to the issue remaining in the case. That  
17 is what we've done

18 MR. EISENBERG: Wait a second. We originally  
19 were told at the time of the trial that all the documents  
20 were produced. Then we found out subsequently that they  
21 weren't produced, and that Mr. Kelly has made several  
22 different statements about what he did in his investiga-  
23 tion and who he talked to. Now it's important to find  
24 out from the court order, "One, whether the nature and  
25 the extent of the alleged undisclosed contacts"--these



1 are the one that I alleged--"undisclosed contacts changed  
2 from a civil audit into a criminal investigation." And  
3 what I want to know is who he talked to that the Judge  
4 can determine, not the U. S. Attorney's Office but that  
5 the Judge can determine whether or not the civil audit  
6 was changed into a criminal investigation. And the  
7 only way that we can handle that is to see who he  
8 talked to.

9 Now, I'm asking you, are--is this record that--  
10 you've produced here, does that cover all the people  
11 that he's talked to about me.

12 MR. LEVIN: I'll say it once more. These  
13 documents are all relevant documents to the hearing on  
14 April 1. This is what we're producing for you in  
15 compliance with the Judge's orders.

16 MR. EISENBERG: You're not answering the  
17 question. My question is not what you think is relevant,  
18 because relevancy is a matter of opinion. I want the  
19 facts. I want to know if this indicates or this shows  
20 everybody that he talked to in the course of his  
21 investigation or work, and call it an investigation or  
22 work involving my case between him and anybody else  
23 during the course of my--his preparation on my case.  
24 Do you see what I mean? Now if it doesn't contain  
25 everything, I think you should produce the information



1 that it doesn't contain and let the Judge determine  
2 whether or not it is relevant. If you don't want me  
3 to see it, would you let the Judge see it, or do you  
4 feel that you'd have to have a Judge's order?

5 MR. LEVIN: As I've said, Mr. Eisenberg,  
6 these documents we consider to be the relevant  
7 documents to this hearing, and I have nothing further  
8 to say.

9 MR. EISENBERG: You're an intelligent guy  
10 besides being good-looking and good natured ordinarily.  
11 My question is are all the documents--not are these  
12 the relevant documents, but are all these all the  
13 documents? Are you saying that there is no other  
14 document pertaining to me that was made by him in the  
15 way of a memorandum, a note concerning my case?

16 MR. LEVIN: Mr. Eisenberg, I feel I have  
17 expressed my position a number of times now. I think  
18 you understand it, and I have no further responses to  
19 your questions.

20 MR. EISENBERG: If I get a motion out, don't  
21 you think the Court is going to answer that? Are you  
22 insisting that I get a motion, which I will if you are  
23 not going to answer the question. I am asking you like  
24 an officer of the court besides a defendant, and I  
25 think as an officer of the court, and I am acting as my





1 my own attorney, which I am an attorney, and I'm asking  
2 you to give me a full answer as a lawyer. Does this  
3 contain everything or not? Are you going to tell me  
4 again it is only what you consider relevant?

5 MR. LEVIN: I have nothing more to say.

6 MR. BISHOP: Well, I think that this is a  
7 sham this so-called meeting, if I am not going to be  
8 allowed all the contact that the Court ordered. The  
9 Court said, "Whether the nature and the extent of the  
10 alleged undisclosed contacts changed from a civil audit  
11 into a criminal investigation."

12 I think we are just wasting our time. I see  
13 no hope of any justice. Counsel gave me--sent a letter  
14 dated October 23, which is I consider insulting to my  
15 intelligence. It's got two, four, six, seven lines on  
16 it, and it says here in reviewing the diary of Simon  
17 Levine, which he reviewed, counsel reviewed--Conrad  
18 Winters reviewed it, too--found an entry on January 15  
19 reflecting a meeting with Fred Maul and our review  
20 agent. I've asked who Fred Maul is, and the record will  
21 show counsel smiled and declined to answer.

22 Now I think this is a sham. I think this is--  
23 I've asked for records in conjunction with the Freedom  
24 of Information Act. I've not gotten a disclosure. I was  
25 hoping to get it from the Court. I think that the Judge



1 didn't mean for us to be treated this way.

2 Where is the copy?

3 MR. LEVIN: This is the copy.

4 MR. EISENHOWER: Is this the copy? I protest.  
5 I protest, I protest. I think this is a sham.

6 (Whereupon the proceeding was concluded.)

7 . . .  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 - 16



FEBRUARY 1971						
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

DECEMBER 1970	JANUARY 1971	FEBRUARY 1971
5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

JANUARY

15

FRIDAY

15 4 350

How good will you be tomorrow what you can do today - Checkered

5:00 MILW. 17 CAR.

5:30

6:00 Disposition of equipment - 100

6:30 Discussion with. Bureau

7:00 Inventory - Case 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31

7:30 Discussion of case 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31

8:00 with Bureau of each case + 1/2

8:30

9:00 C & M - S/L

9:30

10:00

10:30

11:00

11:30

12:00

12:30

1:00

1:30

2:00

2:30

3:00

3:30

4:00

4:30

5:00

5:30

6:00

6:30

7:00

7:30





U.S. Department of Justice

United States Attorney  
Eastern District of Wisconsin

111 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202

414/291-700  
414/291-700

March 10, 1982

Mr. Sydney M. Eisenberg  
1131 W. State Street  
Milwaukee, WI 53233

Re: United States of America  
v. Sydney M. Eisenberg  
Case No. 75-CR-1136

Dear Mr. Eisenberg:

In preparation for the hearing on April 1, 1982, I requested the diaries and time reports of certain individuals. Some of the documents I requested have been destroyed in compliance with I.R.S. record retention regulations. For your information, I am enclosing copies of the correspondence I received from the I.R.S. relative to this matter.

Sincerely,

JOSEPH P. STADTMUELLER  
United States Attorney

By:

*Joel R. Levin*  
JOEL R. LEVIN  
Assistant United States Attorney

JRL:pas

Enc.





Internal Revenue Service

Department of the Treasury

District  
Director

517 E. Wisconsin Ave., Milwaukee, Wis. 53202

Honorable Joseph P. Stadtmueller  
United States Attorney  
Eastern District of Wisconsin  
Room 330, Federal Building  
517 E. Wisconsin Avenue  
Milwaukee, Wisconsin 53202

Personnel Contact  
Andrew J. Moews  
Telephone Number:  
(414) 291-1627  
414-291-1627  
TTS:2  
Date.

Dear Mr. Stadtmueller:

Re: Sydney Eisenberg

This is in response to a telephone request from Assistant U.S. Attorney Joel Levin asking that we search our files for any diaries, time reports and/or appointment sheets that were maintained by any Internal Revenue Service employee who was associated with the examination of Sydney Eisenberg. We have searched our records for the years 1969 through and including 1973 and have located the daily diaries of Special Agents Robert Ubbelohde and Edward Schmalbach for the year 1973. We could locate no other diaries for years prior to 1973.

Time reports and locally prepared sign out registers are destroyed after two years and, therefore, these documents for 1979 and prior are no longer available. It should be noted, however, that Audit Technical Time Reports, Forms 4502, prepared by Revenue Agent Terrence Kelly for November and December of 1969, March through December of 1970, and all twelve months of 1971 were previously given to Mr. Eisenberg pursuant to his Freedom of Information Act request.

The Special Agent diaries mentioned above are enclosed. We have no other diaries, time reports or appointment schedules relative to the period of time with which you are concerned. If you have any additional questions, please contact Disclosure Officer Andrew J. Moews at the number listed above.

Sincerely yours,

*Dale F. Rothe*

Dale F. Rothe  
Acting District Director

Enclosures



**Internal Revenue Service**

**Department of the Treasury**

District  
Director

317 E. Wisconsin Ave., Milwaukee, Wis. 53222

Mr. Joel Levin  
Assistant United States Attorney  
317 East Wisconsin Avenue  
Milwaukee, Wisconsin 53222

Person to Contact  
Elliott E. Lieb  
Telephone Number:  
271-1304  
Telex: 7801 21  
Date:

February 2, 1982

Re: Charles H. Howe  
Simon Levin  
1970 Diaries

Dear Mr. Levin:

In response to your telephonic request, enclosed is a copy of the document generated by the Federal Records Center informing us that the 1970 diaries of the subject individuals have been destroyed.

For your information, I am also enclosing a copy of the pertinent section of IRM 1(15)54-107, which prescribes the retention period and disposal instructions for special agent diaries.

I hope this information will be sufficient. If not, please don't hesitate to give me a call.

Sincerely,

Elliott E. Lieb  
Chief, Criminal Investigation  
Division

Enclosures



# REFERENCE REQUEST—FEDERAL RECORDS CENTERS

NOTE: Use a separate form for each request.

## SECTION I—TO BE COMPLETED BY REQUESTING AGENCY

RECORD GROUP NO.

AGENCY NO.

DATE OF REQUEST

RECORDS CENTER LOCATION NUMBER

58

770066

18-1

24673

DESCRIPTION OF RECORDS OR INFORMATION REQUESTED (INCLUDE FILE NUMBER, BOX, ETC.)

Diaries: Howe and Y. 1970  
Levin

NATURE OF SERVICE

☐ FURNISH COPY OF RECORDS ONLY

☐ REPRODUCE INFORMATION

☐ TRANSMIT COPY OF RECORDS

☐ ADVISE

☐ OTHER

Name of Requester

File Number

Date

RECEIPT OF RECORDS

Name and Address of Agency

I.R.S. - Attn: Gale

Requester agrees that he has read and understands the terms of this request, and that he agrees to pay the fee for the records requested.

Signature of Requester

517 E. Wisconsin, Rm 152  
Milwaukee, WI. 53201

Signature

Date

## SECTION II—FOR USE BY RECORDS CENTER

REASON

ASAP

☐ RECORDS NOT IN CENTER CUSTODY

☐ RECORDS DESTROYED

☐ WRONG BOX NUMBER—PLEASE RECHECK

☐ ADDITIONAL INFORMATION REQUIRED TO IDENTIFY RECORDS REQUESTED

☐ MISSING (Please indicate, information not charge card found in government records)

☐ RECORDS PREVIOUSLY CHARGED OUT TO AGENCY, AGENCY AND DATE

Decayed

DATE

SERVICE

TIME REQUIRED

REMARKS

5/20/81

SL

## SECTION III—TO BE COMPLETED BY REQUESTING AGENCY

General Services Administration  
Federal Records Center NAME

NOTE: In Washington, D.C. area  
send to STOP 386

TO



City

State

Zip Code

GPO: 1975 O-271-111  
Prescribed by GSA, FPMR 101-11.6





U.S. Department of Justice

United States Attorney  
Eastern District of Wisconsin

111 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202

614 201 1241  
FIS 302-1000

February 19, 1982

Mr. Sydney W. Eisenberg  
1131 W. State Street  
Milwaukee, WI 53233

Re: United States v. Eisenberg  
Case No. 75-CR-136

Dear Mr. Eisenberg:

I believe that one page may have been inadvertently left out of the copies you received yesterday. I am enclosing a copy of that page which is from Terry Kelly's 1981-1982 notes (Exhibit No. 24). I am also forwarding a copy of that page to the Court Reporter.

Sincerely,

JOSEPH P. STADTNUELLER  
United States Attorney

By:

*Joel R. Levin*

JOEL R. LEVIN  
Assistant United States Attorney

JRL:pas

Enc.

cc: Theresa G. Bucko





Question # 2

Nature of the Contact:

(a) Who was there?

Special Agent Group Manager Simon

Levin, Internal Revenue Agent

Group Manager Fred Maul and

Internal Revenue Agent T. Kelly.

(b) Who arranged the meeting?

Group Manager Fred Maul

(c) What was known then?

FILED  
JAN 2 1985

ALEXANDER L. STEVAS,  
STATES CLERK

SUPREME COURT OF THE UNITED

OCTOBER TERM, 1984

---

SYDNEY M. EISENBERG, Petitioner

CASE NO. 83-1999

vs.

UNITED STATES OF AMERICA, Respondent

---

ON PETITION FOR A WRIT OF CERTIORARI TO  
THE UNITED STATES COURT OF APPEALS FOR  
THE SEVENTH CLRCUIT

---

REPLY BRIEF FOR SYDNEY M. EISENBERG  
PETITIONER

---

SYDNEY M. EISENBERG  
PETITIONER, PRO SE

1131 West State Street  
Milwaukee, Wisconsin 53233  
(414)271-0931

QUESTIONS PRESENTED FOR REVIEW: TRIAL JUDGES  
MEMORANDUM ORDER DECEMBER 22, 1981

In his memorandum order under date of December 22, 1981 the Trial Judge ordered: "the government is hereby ordered to be prepared to produce the IRS personnel mentioned in the previous order, together with all relevant records for examination by the court and parties ...." The Court in its decision of December 22, 1981 further stated that the parties should consider the following questions at the Coram Nobis hearing (taken from the Court Order):

"....whether the nature and extent of Auditor Kelly's alleged undisclosed contacts with the Intelligence Division legitimate taxpayer's claim that Agent Kelly, by continuing the 'routine civil audit', obtained evidence by deception in violation of the Fourth and Fifth Amendments. (See United States v. Meir, 607 F.2d 215, 217(8th Cir.1979), cert. denied, 445 U.S. 966(1980); United States v. Stamp, 458 F.2d 759, 774-81(D.C. Cir. 1971) cert. denied, 406 U.S. 975 and 409 U.S. 842 (1972)).

"1) Whether the nature and extent of the alleged undisclosed contacts changed the civil audit into a criminal investigation;

"2) If so, whether and to what extent Agent Kelly continued the investigation after that point in time;



"3) If so, whether Agent Kelly or any other I.R.S. Agent 'affirmatively misled' taxpayer as to the nature of the continuing investigation (see U.S. v. Lehman, 468 F.2d 93, 105 (7th Cir.), cert. denied, 409 U.S. 976 (1972);

"4) If so, whether such deception tainted any of the physical or testimonial evidence adduced at trial;

"5) And if so, whether taxpayer likely would have been acquitted if the court had suppressed that evidence(see U.S. v. Dellinger, \_\_\_ F.2d \_\_\_ No. 80-2229, slip.op.at 9n.9(7th Cir.August 19, 1981)."

We are also filing an Appendix to include a copy of the Document Production proceeding had in the instant case at the office of the U.S. Attorney, 517 East Wisconsin Ave., Milw.,WI., pursuant to Court Order to prove that the illegal "cover-up" continued with "stonewalling" by him against petitioner.

#### TABLE OF CONTENTS

	PAGE
QUESTIONS FOR REVIEW .....	1
ARGUMENTS:	
ERRORS IN BRIEF IN OPPOSITION .....	4
OTHER EVIDENCE WAS OVERLOOKED .....	6
IRS INTELLIGENCE CREATED AN ATMOSPHERE OF VIOLATIONS .....	10
AFFIDAVIT OF TERRENCE P. KELLY ....	15



# TABLE OF CONTENTS

PAGE

ACTUAL TESTIMONY IS THE BEST EVIDENCE.....	15
WHY DID KELLY COME FORWARD? ..	16
MISCONDUCT OF THE PROSECUTION .....	17
CONCLUSION .....	19

## TABLE OF AUTHORITIES

Mooney v. Holchan, 294 U.S. 103, 79 L.Ed. 791, 55 S. Ct. 340 ('35) ....	17
U.S. v. Meir, 607 F.2d 215, 217 ....	1
U.S. v. Morgan, 346, U.S. 502 ....	18
U.S. v. Tweel, 550 F.2d 297 ....	19
U.S. v. Stamp, 458 F.2d 759, 714-81	1
U.S. v. Allen, 522 F.2d 1229, 1233 (6th Cir. '75), cert.denied 423	
U.S. 1072 ('76) .....	19

## CONSTITUTIONAL PROVISIONS:

U.S. Constitutional Amendment IV&	1 ,19
V	1

## LISTING OF ALL PARTIES

All parties to this proceeding are:

S.M. Eisenberg, Petitioner; Hon. Rex E. Lee,  
Solicitor General (Washington, D.C.)





## ERRORS IN BRIEF IN OPPOSITION

The brief for the United States in opposition to petitioner contains erroneous, crucial statements in direct conflict to the evidence.

The record proved, as stated in the petition for writ of certiorari, Auditor Kelly had for 6 years since July, 1976 had every opportunity to tell the truth about whom he had contacted in the Intelligence Division. Auditor Kelly concealed the truth for 6 years until he realized he would be exposed. His conduct constitutes a travesty upon justice.

Petitioner respectfully requests the court to maintain the same standard of honesty for the IRS auditor as is required of a taxpayer. With respect to page 5 of the Solicitor General's brief the Solicitor General states "Kelly's group manager, while his memory was less than clear, supported Kelly's testimony." This is untrue. Supervisor Maul claimed he never remembered petitioner's case whatsoever, (Tr. 4-1-82; p. 154, lines 1-13) Supervisor Maul said he



had been with the IRS 26 years and throughout that time in Milwaukee; in those 26 years he had discussed a case with IRS Intelligence only once or twice (Tr. 4-1-82, p. 160, lines 20-25). He could not recall any other case outside of petitioner that he had ever conferred with Intelligence.

Part of Agent Levin's notes were destroyed. But January 15, 1971 is the date of the conference confirmed in writing as stated in his diary. (Tr. 6-3-82, p. 169). Another date, September 17, 1970, is confirmed by Auditor Kelly's Ex. 7 proving there were not one but two conferences with Maul, Levin and Kelly. Other records were destroyed by the IRS. Obviously, records favorable to the IRS enjoyed freedom from destruction.



## OTHER EVIDENCE WAS OVERLOOKED

The corporation books and records were subject to compulsory process, but, petitioner's books and records were not subject to compulsory process, contrary to IRS's brief. This is significant. He could have stopped it before Kelly had concluded.

Judge Wood overlooked the misrepresentation by Auditor Kelly to gain admission and obtain all available evidence. All of the evidence obtained by Auditor Kelly in the many months after his meeting with Supervisor Maul and Intelligence Agent Levin should have been suppressed at the trial as well as the rest of the evidence. Judge Wood found the petitioner "to his credit never obstructed the investigation." Petitioner would have no reason to do so while he believed a decent, honest, civil audit was being conducted. The evidence which Judge Wood overlooked was all of the evidence accumulated in the photostating and taking of records in the 709 hours of Auditor Kelly's investigation after meeting with Intelligence Agent Levin.



Auditor Kelly admitted that the questions which he was to follow through in his audit were given to him by Supervisor Maul, very shortly after their meeting with Special Agent Simon Levin.(Tr. 6-3-82, p. 152, lines 1-7).

After "Levin," Auditor Kelly spent 88 hours in September, 40 hours in November, 126 hours in December(all in 1970); in 1971, he spent in January, 117 hours, February, 80 hours, April 32 hours, June, 131 hours; total 709 hours--all on petitioner's records, (Government Ex. 24).

Auditor Kelly stated that he made progress during the months after the Simon Levin conversation and prior to the referral of the case "primarily in the areas of the non-business interest expense, the Cates payments, the year end checks...."(Tr.6-3-82, p. 26, lines 2-4).

Auditor Kelly reported conversations between himself and Special Agent Howe, September 19, 1970. Auditor Kelly and Special Agent Howe determined that to what "we" referred to was a





source on application of funds. He went on to discuss the conference in length and said the first firm indication of fraud was with a conference with Mr. Howe, March 25, 1970. He also said Mr. Howe called him in July of 1970 and said he became "less concerned with the \$175,000.00 of unknown sources of funds." (Tr. 6-3-82, pgs. 13-17), so he continued on. (The source was found).

After the case was formally referred on June 30, 1971 to the IRS Intelligence, petitioner was advised of same. Petitioner stated that he ran down to Attorney Paul Lipton's office and Mr. Lipton stated "don't give them anything, stop right here." (Tr. 4-11-82, p. 229, lines 9-18). Attorney Lipton immediately recalled all records and refused any further discussion with the IRS. CPA Levine said his records were immediately taken away from his office by Mr. Lipton and CPA Levine was told not to discuss the matter with anyone (Tr. 6-4-82, p. 146, lines 3-6). The courts overlooked this.



Petitioner stated Auditor Kelly came to read him his rights with Special Agent Schwalbach. Petitioner stated further that Mr. Kelly stated that petitioner was in the same category "that the president of General Motors was responsible for any errors on the part of his employees." (Tr. 4-11-82, p. 228, lines 20-24).

The Court said that it would not approve the conduct of the IRS personnel avoiding their own rules. "If IRS is to scrutinize the most personal affairs of citizens, it should be able to withstand scrutiny itself." The Court continued: "The conduct of IRS, no matter how well intentioned it may have been in the pursuit of possible wrongdoing was to say the least, very disappointing under any version of the evidence," The Honorable Trial Court still overlooked another important point raised, which was: Where substantial violating of the IRS Rules is accompanied with violations of the taxpayer's constitutional rights and due process, the con-



viction should be over turned. It is further significant the Court did not find a deliberate understatement of income on the part of petitioner.

IRS INTELLIGENCE CREATED  
AN ATMOSPHERE OF VIOLATIONS

Auditor Kelly had committed perjury at the original trial June 14, 1976 at 9:30a.m. His testimony is repeated on pages 38 and 39 of petitioner's petition for writ of certiorari. Intelligence Agent Charles Howe became Simon Levin's supervisor in March, 1971, and there were discussions from time to time with the agents in one group about various cases (Tr. 6-3-82, p. 192, lines 2-5 and lines 21-25)(asked of Intelligence Agent Levin):

"Q. We have that clear"

"A. Yes, I was transferred out of the group supervisor's slot in March, '71 and then Charles Howe became supervisor. And I was under his supervision...."

The opportunity for collusion existed, prior to the formal referral to IRS Intelligence.

Simon Levin stated it was contrary to the



rules and not "cricket" to have somebody in the Audit Section get information from the Intelligence Section (Tr. 6-3-82, p. 197, lines 19-23, p. 198, lines 1-2).

Levin's instructions January 15, 1971 as to what Kelly should do never considered whether defendant was guilty or not. See the following questions and answers. This is evidence of pure fraud by the IRS (questions of Simon Levin, Assistant U.S. Attorney):

"Q. It is possible his name was not mentioned?

"MR. EISENBERG: That's objected to now.

"THE COURT: He's already said a couple times he thought it was mentioned at the end. I sustain the objection."

He further stated information provided to him. (Tr. 6-3-82, p. 174, lines 5-17):

"Q. What exactly was it that you told Fred Maul and Terry Kelly in response to their statements to you?

"A. The only thing is I asked them if they had all the details of the checks, dates, the dates cancelled, bank records showing what they related to or whatever testimony they needed, statements as to the nature of the checks from the people involved and the same thing regarding





the stock transactions that they had all the documents necessary to refer it and the statements as to what transactions involved. Just to make sure they had enough for referral."

Intelligence Agent Levin recalled the discussion which was held in his office and recalled other discussions with Terry Kelly over the years. (Tr. 6-3-82, p. 166). His diary showed the discussion on January 15, 1971. On that date he stated that it looked like the items involved had fraud potential and he suggested that the case be referred for a joint investigation (Tr. 6-3-82, p. 169, lines 10-15). Auditor Kelly had represented to him that there were possibilities of fraud and gave him the details. He recalled some of the details. He recalled the checks, some interest expense and stock transactions were the two principal fraudulent transactions discussed. Among other things he said: "I do know that this transaction did involve Mr. Eisenberg, yes." (Tr. 6-3-82, p. 173, lines 15 through 25).

When asked "...whether or not the civil audit continued following discussions with Terry Kelly



and Fred Maul?" Levin said he assumed "it continued. Until the referral." (Tr. 6-3-82, p. 175, 8-14).

Levin says that he had a conference with Revenue Agent Kelly and IRS Intelligence Agent Howe November 16, 1972 on the Eisenberg case. These 3 individuals were still on the Eisenberg case.

It is incredible to believe that these people who were all working on the Eisenberg case, working in the same room, talking to each other, regularly, were not discussing how to get the records from petitioner without letting him know of their connection with Auditor Kelly!

April 30, 1971, which is a pre-referral date, Levin was in Charles Howes group. (Tr. 6-3-82, p. 193, lines 1-10).

Agent Levin testified further that the so-called questions submitted to him by Auditor Kelly consisted of 6 pages of various what he called facts. He did not say "alleged," he said "facts." (Tr. 6-3-82, p. 199, lines 1-4). It was Auditor Kelly's opinion that there was fraud and Kelly stated the



.stock transferred in the written memorandum, Ex. 6, was transferred to evade liability (Tr. 6-3-82, p. 203, lines 7-8).

Ex. 7 is a memo from Mr. Maul to Auditor Kelly after the meeting of September 23, 1970, with Agent Levin. There were clearly 2 meetings. One, September 23, 1970 and one, January 16, 1971. (Tr. 6-3-82, p. 203, lines 10-19).

In response to the Courts question, Special Agent Levin conceded that the January 15, 1971 meeting he had with Fred Maul and Agent Kelly could have violated regulations. (Tr. 6-3-82, p. 204, lines 3-9).

When petitioner asked for the diary of 1970 from Mr. Levin, Assistant U.S. Attorney Levin said that "the diaries for 1970 had been destroyed as indicated in the affidavit he had submitted." When petitioner asked why the diary for 1971 was available and the diary for 1970 was not, U.S. Assistant Attorney Levin stated "because we requested the 1971 diary in 1981, when it was still available." But Agent Levin said he turned over



his diaries to the government annually, and had had a diary for 1970. (Tr. 6-3-82, p. 204). The diaries of Howe and Levin were reported as destroyed by the IRS.

AFFIDAVIT OF  
TERRENCE P. KELLY

On January 16, 1981, in his affidavit Terrence P. Kelly admitted his discussion with a special agent of the Criminal Investigation Division. He did not name anyone so the first time the name of "Sam" Levin did appear was February 18, 1982. U.S. Assistant Attorney Joel Levin acted improperly with respect to records produced 2/18/82. For example, he only produced a one page excerpt from the diary of one "Sam Levin." On examination of the page in the diary dated January 15, 1971 shows the signature of "Sam Levin" who was apparently Agent Simon Levin.

ACTUAL TESTIMONY IS THE BEST EVIDENCE

Auditor Kelly was in absolute violation of common sense rules. Without his testimony however, all evidence should be stricken. The





petitioner's brief for certiorari definitely shows that the actual testimony completely contradicts the Solicitor General's brief. All of the evidence claimed by the IRS prosecution in every instance simply referred to mistakes made by bookkeepers without petitioner's knowledge.

#### WHY DID KELLY COME FORWARD?

Why was Auditor Kelly silent as a graveyard on a cold winter's night and took 6 years for him to come forward and admit his withholding the truth, changing his answers when he was previously asked whether he had contact with the Intelligence Division? It is clear that the only reason Kelly finally came forward is because he knew he would have to testify at the new hearing. He knew that the petitioner had new evidence, but, he did not know exactly what it was. Obviously, Kelly knew that proof of his perjury would surface and would be a serious matter.

Violation after violation took place of the administrative guidelines of the IRS as well as



the constitutional rights of petitioner, all combining to create a collusion designed to deceive the taxpayer. The courts of this country have applied various tests in determining when it is necessary to order a new trial due to prosecutorial impropriety. In our case, conviction should be set aside if there is "any reasonable likelihood" that the false testimony could have affected the judgment. Mooney v. Holohan, 294, U.S. 103, 74 L.Ed. 791, 55 S. Ct. 340 (1935).

Both CPA Edward Gilman and Burton Levine acting on the basis of Auditor Kelly's deception, namely, Auditor Kelly was really conducting a criminal audit, stated under oath that they would never had continued on with Auditor Kellys' audit for a moment had they known that the audit was a criminal one. The deception by the IRS, compounded by the U.S. Attorneys' Office, simply resulted in a violation of petitioner's constitutional rights.

#### MISCONDUCT OF THE PROSECUTION

Thus, the misconduct of the prosecution is



jurisdictional, constitutional and involves an area of law that results in a complete miscarriage of justice. U.S. v. Morgan, 346, U.S. 502, 512 (1954), amply covers this subject.

The brief on page 8 of the Solicitor General says that "the district court correctly concluded that Kelly had no firm indication of fraud on petitioner's part prior to the meeting with Levin...." Kelly in his own handwriting in Government Ex. 6 of the so-called "hypothetical," headlines, "Facts" and "My Conclusions:"

"1) All the transactions the taxpayer had involving the above mentioned stock would indicate that he owned the stock. 2) The statements made by the corporations's accountant completely contradicts the statements made in the corporate minutes. 3) By transferring the gain to the corporation there was a substantial tax savings. However, the taxpayer continued to have complete and full use of the proceeds from the sale. 4) Other than the letter from the accountant and the corporate minutes, which are both self serving, there is no attainable information to indicate that the stock was owned by anyone other than the taxpayer. 5) It is my opinion that the idea of transferring the stock to the corporation developed after the sale of the stock. When the taxpayer realized that he would have a large tax liability, he decided to transfer the stock to the corporation."



Auditor Kelly's "Conclusions" prove he believed had a fraud case September 21, 1970 as well as on March 25, 1970. But he continued his investigation for fraud from March 25, 1970 to the date of trial June, 1976.

The Solicitor General's office on page 7 of his brief mentioned possible violations of the 4th Amendment; they are involved in the instant case as follows:

"In this case, petitioner contends that his conviction was tainted by the use of evidence obtained from him in violation of the 4th Amendment. The courts on a few occasions have held on direct appeal that, where government personnel intentionally misrepresent the nature of a tax investigation, evidence obtained as a result of such misrepresentation may be subject to suppression. E.g., U.S. v. Tweel, 550 F.2d 297(5th Cir.1977). See also U.S. v. Allen, 522 F.2d 1229, 1233(6th Cir. 1975), cert. denied, 432 U.S. 1072 (1976).

#### CONCLUSION

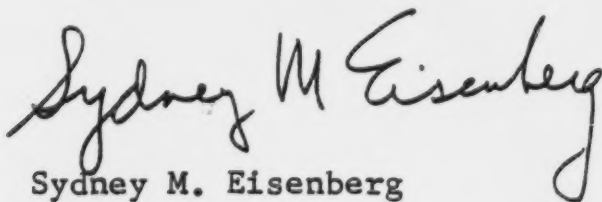
Petitioner was a victim of a newly and especially created theory of crime; namely, the compilation of mistakes constitute the crime of signing a false return. Take away the numerical surplus of innocent mistakes, developed by Kelly and Levin and consider the CPA's would stop the





audit if advised of the criminal nature of the audit, there is simply no case whatsoever. How does an "experienced" attorney contend with perjury, destruction of records, misleading and withholding of vital facts? Petitioner discovered a morass of traps, impediments and confusion in the IRS case, resulting in violations of his constitutional rights.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sydney M Eisenberg". The signature is written in dark ink and is positioned above the typed name.

Sydney M. Eisenberg  
Pro Se  
Petitioner

P. O. ADDRESS:

1131 West State Street  
Milwaukee, Wisconsin 53233  
414/271-0931